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Lebanese Right, Syrians Continue Beirut Fighting

BEIRUT, Feb. 10 (Reuters) — Syrian peace keeping troops and Lebanese rightists clashed with each other again today and rightist leader Pierre Gemayel urged efforts to save Lebanon from "catastrophe."

Tank, guns, mortars, rockets and heavy machine guns were used along an ill-defined front line between rightist positions in Christian eastern Beirut and western areas controlled by the Syrians. Syrians form the bulk of the 30,000-man Arab League peace force that ended the 1970-76 civil war in most parts of Lebanon 15 months ago.

Today's engagement followed a morning lull after three days of bloodshed in which more than 150 people died and many more were wounded. Shortly after noon a shell crashed into Ashrafieh in the heart of eastern Beirut.

The fighting subsided after nightfall, following the pattern of the last four days.

Former President Camille Chamoun's rightist National Liberal party laid the blame for today's action on the Syrians, accusing

them of "indiscriminate and intensive shelling of residential areas."

"We view it as an out-and-out provocation," a spokesman for the party said. "The Syrians have launched what looks like a predetermined policy to escalate the fighting."

The National Liberal headquarters in Ashrafieh was attacked by Syrian troops on Wednesday. Two bullets hit Mr. Chamoun's office minutes after he had left it.

Premier Selim al-Hoss announced tonight that Syrian Foreign Minister Abdel Hafiz Khaddam would arrive in Lebanon tomorrow at the head of a delegation from Damascus.

"God willing, there will be positive developments," the Premier said after a two-hour meeting with President Elias Sarkis.

The peace force meanwhile issued a statement saying it had set up a joint committee with the Lebanese Army command to investigate the incident that sparked the fighting on Tuesday.

It said the aim would be to identify those responsible for clashes

Associated Press
A rightist gunman helps two men reach safety during heavy shelling in Beirut Friday.

Israel Charged With Mistrating Arabs

Human Rights Abuses Around World Cited in U.S. Report

By John M. Goshko

WASHINGTON, Feb. 10 (UPI) — The State Department has told Congress in its report on human rights in 105 countries that despite some improvements during 1972, repression and abuse of individual liberties are still widespread in most parts of the world. The reports, made public yesterday, accuse the governments of several nations closely allied to the United States—among them, in South Korea, the Philippines and Morocco—of allegedly ignoring the rights of their

peoples the most potentially abhorrent of all the reports is one on Israel. While recognizing that Israel itself is a model democracy, it charges the Israelis with mistreatment of Arab demonstrators and suspected terrorists in occupied Arab territories.

Even there, the criticism of Israel is relatively mild when compared to the picture that the reports draw of the human-rights situations in several other countries.

But the Israel report drew a specially high degree of attention because of its publication on the day following Egyptian President Anwar Sadat's departure from the United States and Israeli Foreign Minister Moshe Dayan's arrival.

That touched off a storm of speculation that the Carter administration had timed the release to embarrass Israel and put it under additional pressure to make concessions in its negotiations with Egypt about withdrawal from Arab lands.

Underscoring the speculation was the fact that the report on Egypt presented a highly optimistic assessment of the rights situation there.

It lauded Mr. Sadat for greatly easing police-state tactics and concluded: "Egyptians today are enjoying civil and political freedoms to an unprecedented degree."

However, a State Department spokesman, Tom Reston, denied categorically that the timing of the release represented an administration pressure tactic against Israel.

In compliance with the 1976

law's specific instructions, the department delivered the reports on all countries receiving U.S. aid to Congress on Jan. 31. Congressional sources said the publication yesterday was determined solely by the mechanics of when the Government Printing Office was able to finish running the 426-page report off its presses.

Some government sources and human-rights activists expressed concern that the heavy attention focused on the Israel report

might detract from what they regard as the real purpose of the exercise—to present a composite picture of the global human-rights situation and what it says about the Carter administration's controversial effort to make human-rights concerns a major element of U.S. foreign policy.

Even that approach to the reports drew a disclaimer from the State Department yesterday. Mr. Reston cautioned that they should not be regarded as an "overall

philosophical assessment" of the human-rights scene or of the U.S. government's role in any of its recent successes or failures.

Last night, the Israeli Embassy here issued a statement noting that the report called Israel "a full-fledged parliamentary democracy whose standards are comparable to those of the United States and other Western democracies."

The statement added: "Obviously the report notes the difference

between those standards applied in Israel and those which security considerations force Israel to apply in the territories under its control. Nevertheless, in spite of those difficulties, the government and the people of Israel are trying to apply the highest standards of human rights everywhere and to everybody."

Under the 1971 law requiring the reports, both the administration and Congress are supposed to take rights abuses into account in allocating foreign aid. Yet, it already has become known that the administration, when it presents its fiscal 1979 aid bill to Congress, will seek to cut off military aid to only one country criticized in the reports—Nicaragua.

Several countries that have figured prominently in rights controversies—Chile, South Africa, Uganda and the Communist nations—are not described because they do not receive U.S. aid. Of the countries covered, the report includes these points about different regions:

The Middle East and South Asia: Israel's tactics in the occupied lands are found to include "the use of extreme physical and psychological pressures during interrogation," using excessive force to quell demonstrations, searching the homes of Arabs without warrants and occasionally expelling Arabs suspected of terrorist involvement.

Elsewhere in the region, the report cites evidence of repression and allegations of mistreatment in Morocco, Iran, Syria, Pakistan and Bangladesh. However, they add, in some—notably Iran and Pakistan—conditions improved considerably during 1977.

The report on India says "human rights and democracy have been restored" in that country. Tunisia and Kuwait also are given good marks for respecting individual liberties.

East Asia and the Pacific: The Philippines' government of Ferdinand Marcos is charged with torturing political prisoners and of engaging in extensive corruption. Similarly, South Korea, despite some improvements, is found to engage

(Continued on Page 2, Col. 7)

in Separate Peace

He also suggested that Egypt make a separate peace with Israel if all problems between the two countries were settled and the other Arab nations did not want to join in.

Israeli Prime Minister Menachem Begin returned to Jerusalem today from a fund-raising trip to Switzerland and said that he had good grounds for assuming that peace negotiations between Israel and Egypt would resume.

In Hamburg, where Mr. Peres has been attending a Socialist International meeting, he told reporters that Israel and Egypt were now at the stage of overcoming the deep crisis and real problems that faced them.

Talks between Israel and Egypt are stalled on the key issue of Israeli settlements in occupied territories and the future of the Palestinians.

But the Israeli opposition leader said that, following President Sadat's talks with President Carter earlier this week, there was a fair chance of concluding the negotiations.

"If the problem was just

(Continued on Page 2, Col. 7)

Kreisky Arranges Talks

Sadat to Meet Peres in Austria Saturday

SALZBURG, Feb. 10 (Reuters) — Egyptian President Anwar Sadat will have a private meeting with Israeli opposition leader Shimon Peres in Salzburg tomorrow, Austrian Chancellor Bruno Kreisky said today.

Mr. Sadat is due in Salzburg tomorrow for talks with Mr. Kreisky following meetings with President Carter in the United States this week. He spent today resting in Berchtesgaden, West Germany.

Mr. Peres, leader of Israel's Labor party, will be stopping in the Austrian city on his way from West Germany to Vienna to attend a Socialist International conference on the Middle East on Sunday.

Mr. Kreisky announced the surprise meeting in an interview taped for Austrian television. Extracts from the interview were released by the Austrian Socialist party.

Kreisky Suggestion

Mr. Kreisky said he had used the occasion of Mr. Sadat's planned stopover in Salzburg to suggest the meeting so that the Egyptian leader would be able to get the first-hand views of the Labor party, Israel's main opposition group.

In New York, meanwhile, in a move that could lead to an open confrontation with Washington, Israel has bluntly rejected President Carter's assertion that its settlements in occupied Arab territory are illegal and an obstacle to peace.

"We do not agree with President Carter about the policy of

the secret session was requested by Sen. Bob Dole, R-Kan., and quickly agreed to by the Democratic and Republican leaders.

Sen. Dole made his request in a speech when the Senate began its third day of debate on the proposed Panama Canal treaties.

After Sen. Dole made his speech, Senate Majority Leader Robert Byrd, D-W. Va., formally requested that when the Senate convenes Feb. 21, after a 10-day recess, it go into closed session to discuss the allegations and to classify the information about them.

Excellent Cooperation

Earlier, Sen. Byrd told reporters that he was briefed on the drug-trafficking allegations and "the information I've been given is that we have had excellent cooperation from the Panamanian government."

Sen. Byrd called the allegations "a matter of concern." But the majority leader, a supporter of ratification, said "the bottom-line, midsize question is whether it is in the interest of the United States for the Senate to give its approval to these treaties."

Sen. Byrd noted that the Sen-

Senate Sets Secret Debate On Panama Treaties Feb. 21

WASHINGTON, Feb. 10 (AP) — The Senate agreed today to take its debate on the Panama Canal into secret session Feb. 21 to discuss allegations that Gen. Omar Torrijos, the Panamanian leader, and members of his family are involved in drug trafficking.

The secret session was requested by Sen. Bob Dole, R-Kan., and quickly agreed to by the Democratic and Republican leaders.

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Moscow Brands Ouster of 13 As Provocative Canadian Act

MOSCOW, Feb. 10 (Reuters) — The Soviet Union today described a Canadian decision to expel 13 Soviet officials for alleged spying as a provocative act based on "absolutely groundless charges."

In the first public Soviet reaction to the Canadian decision, announced yesterday, the official news agency Tass said it was authorized to state "that the actions of the appropriate Canadian authorities are regarded as unfriendly ones, and that they were taken with obviously provocative aims."

Canada yesterday ordered 11 Soviet citizens—mostly diplomats—to leave the country and barred two others from returning. The 13 were charged with trying to bribe a member of the Royal Canadian Mounted Police to infiltrate the security service.

(Continued on Page 2, Col. 1)

U.S., at UN Rights Meeting, Calls Sinai Camps Illegal

GENEVA, Feb. 10 (NYT) — The United States told the UN Human Rights Commission today that Israel was breaking international law by establishing civilian settlements in the occupied Arab territories.

Edward Mezvinsky, the U.S. representative, said that on Jan. 30 President Carter had stated Washington's position that the settlements were "illegal" and an "obstacle to peace."

Mr. Mezvinsky spoke during the member commission debate.

Israeli observance of human rights in the occupied territories, these rights can be preserved.

Israel's "scrupulous observance" of the provisions of the Geneva Convention protecting the populations of occupied territories, Mr. Mezvinsky said, Israel has rights under the convention as the occupying power.

er, he continued, but these "do not include the right to establish settlements."

Mr. Mezvinsky said that serious allegations of human rights violations should be investigated everywhere and that Washington would cooperate in "all reasonable measures" to determine the facts in the occupied territories.

Joel Barromi, the Israeli representative, told the commission that the settlements served an important security purpose.

They formed a "remarkably effective" network of warning stations to guard against terrorist squads and prevent the passage of "mauraders, agitators and saboteurs," he said.

Mr. Barromi, who spoke as an observer because Israel is not a member of the commission, said that the settlements would "not be an obstacle to peace."

Mr. Mezvinsky spoke during the member commission debate.

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Moscow Brands Ouster of 13 As Provocative Canadian Act

The principal agent was identified as Igor Vartanian, first secretary responsible for sports and cultural affairs at the Soviet embassy.

East Asia and the Pacific: The Philippines' government of Ferdinand Marcos is charged with torturing political prisoners and of engaging in extensive corruption. Similarly, South Korea, despite some improvements, is found to engage

(Continued on Page 2, Col. 6)

Tass linked the expulsions to an alleged campaign by opponents of détente in Canada.

The latest expression of this campaign was the demand by Canadian authorities that a number of staff members of Soviet institutions leave the country on absolutely groundless charges of "impermissible activities," Tass said.

It is obvious that standing behind this action that aims to damage Soviet-Canadian relations are the special services of Canada and the forces supporting them,

which systematically undertake hostile actions to complicate rela-

tions with the Soviet Union.

Tass said that the Canadian authorities and police, he said,

had been ordered to make progress in their push north along the rail-

way line from Dire Dawa, but

had apparently stalled in their offensive southward from the mountain citadel of Harer.

The sources said that the mountain roads around Harer were presenting difficulties for the Ethiopian army and the terrain favored Somali guerrilla fighters.

In a statement issued through the Ethiopian Embassy in Rome, the Addis Ababa government said that it was ready to live as a good neighbor with Somalia.

In the latest reports of fighting, Somalia said that the forces of the Western Somali Liberation Front had been forced to make strategic withdrawals because of the air superiority and firepower of the Ethiopian forces, spearheaded by Soviet and Cuban troops.

Somalis yesterday ordered mass

mobilization to meet the Ethiopians

counteroffensive.

The Ethiopian government pro-

mised to spare the lives of any Somalis who surrendered imme-

dately.

In the latest reports of fighting,

the Ethiopians said that they

were advancing rapidly toward

the capital, Hargeisa.

The sources said that the

mountain roads around Harer

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News Analysis

Vietnam Faces Steady Drain In Conflict With Cambodia

By Henry Kamm

BANGKOK, Feb. 10 (NYT)—An American here spoke the other day of Vietnam's involvement in Cambodia as a "quagmire," a word that gained currency in the 1960s when it became evident that the United States would find it difficult to extricate itself from its involvement in Vietnam.

Now, in the late 1970s, Vietnam has brought superior military power to bear against a neighbor that had been raiding its border regions almost since the end of the war in 1975. And Hanoi finds itself in a situation where it has not won a decisive victory and has to consider the application of more force, with the risks that this entails, or try a new diplomatic tack.

Hanoi's troops apparently advanced almost at will in their thrust in strength into Cambodia at the end of last year. They halted the advance when Hanoi thought it had proved its military potential and created for itself a position of force for successful negotiations to dampen its neighbor's aggressiveness.

But instead of suing for peace, Cambodia took the extraordinary step in relations between Communist nations of severing its diplomatic links with Vietnam and rejecting Vietnam's offer of talks until all its forces had left Cambodian territory. Vietnam appears to have substantially done this, mainly on its own initiative, sometimes under Cambodian military pressure. Its troops are being nibbled at all points," said an observer with access to sensitive information.

Cambodian Initiative

The Cambodians, perhaps encouraged by the withdrawal of the larger and much better equipped Vietnamese force, appear once more to have seized the military initiative, crossing into Vietnam frequently, sometimes in strength, particularly near the southern end of the 750-mile-long frontier. At the same time, Phnom Penh maintains a high level of aggressiveness in its propaganda, comparing Hanoi's "imperialist" regime with the U.S. "imperialists."

The Phnom Penh radio reported Tuesday that Vietnamese forces, supported by MiG planes, helicopters and tanks, had been fighting inside Cambodia, along the Bassac River, since Sunday. The broadcast said that they were repulsed Monday, with the loss of several hundred Vietnamese casualties and 17 tanks destroyed.

Informed sources in Bangkok said the Vietnamese incursion appeared to have been in retaliation for an earlier Cambodian attack in the vicinity of the Vietnamese provincial capital of Chan Doc.

Vietnam's quandary has many sides. A country of about 50 million inhabitants, with Southeast Asia's strongest military force by far, is being harassed by a country of 7 million. Its casualties are heavy, according to recently arrived Vietnamese refugees here, who say they owe their escape to the confusion reigning in the southernmost coastal region as a result of the fighting.

The fighting diverts Vietnam's large army from what has been its principal task since it won the

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Sweeping Reform**Senate Panel Proposes Bill To Curb Spy-Agency Abuses**

By Bill Richards

WASHINGTON, Feb. 10 (UPI)—The Senate Select Committee on Intelligence yesterday proposed a sweeping legislative package that would, for the first time, restructure and centralize the U.S. intelligence apparatus and close one of the loopholes that led to intelligence abuses in the past.

The proposed legislation is the first comprehensive congressional attempt at bringing the sprawling intelligence community under one roof since much of it was set up in 1947 under the National Security Act.

In addition to setting out an administrative framework under CIA Director Stanfield Turner as director of national intelligence, the new bill would provide a series of checks by Congress, the National Security Council and the president on U.S. intelligence activities at home and abroad.

At a news conference, Sen. Fred R. Harris, D-La., chairman of the Intelligence Committee, called the proposed legislation and the recent steps to codify national intelligence "the most significant protection of American liberty since the Bill of Rights itself."

Parallels Carter Order

The committee's legislative package closely parallels President Carter's Jan. 24 executive order organizing the intelligence agencies on an interim basis while the Senate committee finished up with its bill.

The seven-part, 200-page document prohibits certain types of overt action by the CIA such as

assassination, terrorism, torture, the mass destruction of property, creation of food or water shortages, or epidemics, the overthrow of democratic governments or the support of actions which violate human rights by police, foreign intelligence or internal security forces of foreign countries.

A committee spokesman said the CIA's involvement in overthrowing non-democratic nations is not prohibited by the bill.

The new legislation does allow intelligence agency bugging and

Like Biscuits, Some Children May Also Rise

SAN FRANCISCO, Feb. 10 (Reuters)—Common baking soda can cure stunted growth in children resulting from a kidney disorder that causes too much acid to accumulate in the body, according to researchers at the University of California.

Dr. Elizabeth McSherry, of the university's General Clinical Research Center here, told reporters yesterday that the effect of the cure on some children suffering from the disorder—renal tubular acidosis—was so dramatic that they won places on college athletic teams. She said the kidney condition causes large amounts of alkaline sodium bicarbonate (baking soda) in the body to be excreted and wasted.

But Dr. McSherry warned parents who noticed low or impaired growth in their children not to try the treatment themselves.

Fiat in U.S. Recalling 26,600 '75, '76 Models

WASHINGTON, Feb. 10 (AP)—Fiat is recalling 26,600 of its 1975 and 1976 Fiat-131 models to correct potentially defective throttle control mechanisms, the National Highway Traffic Safety Administration announced today.

The problem involves throttle returns springs that could break, causing the throttle to stick in an open position and making it difficult for drivers to control the speed of their cars.

Proposes Treaty to Senate**Carter Seeks World Checks on U.S. Nonmilitary A-Sites**

By Don Irwin

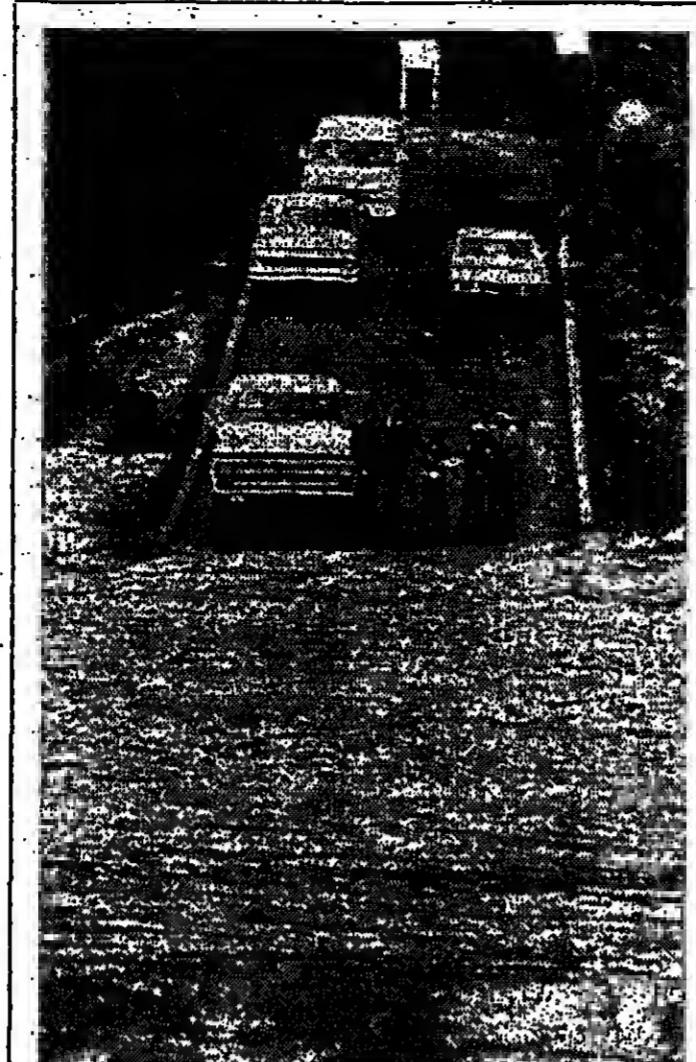
WASHINGTON, Feb. 10.—President Carter proposed a treaty yesterday to subject U.S. nonmilitary nuclear installations to inspection by the International Atomic Energy Agency.

In submitting a draft treaty to the Senate for ratification, Carter noted that the commitment was first proposed in 1967 by former President Lyndon Johnson as a step to assure compliance with the then-pending nuclear nonproliferation treaty.

The proposed treaty would supplement legislation that won congressional approval yesterday. The bill is designed to curb the spread of nuclear weapons by tightening controls on nuclear exports from the United States, which is the world's largest exporter of such materials.

The new measure would require 30 odd nations that buy nuclear material from the United States to abide by safeguards developed by the International Atomic Energy Agency and to permit the agency to inspect their nuclear facilities within 18 months. It would cut off exports

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**Flooding, Blackouts in Calif.****Heavy Rain, Snow Lash West As Northeast Still Digging Out**

BOSTON, Feb. 10 (AP)—Airlifted Army troops cleared snow from the Northeast, heavy snows blanketed Montana and Idaho, and police were swamped by calls about mudslides, power failures and flash floods in southern California.

Electrical power was interrupted for up to several hours from Santa Barbara to San Diego, as the latest in a series of rainstorms lashed that region for the second day.

In Montana, National Guard troops cleared snow from previous storms as new snow fell. Some isolated communities reported absence of shortages of fuel and food. Gov. Thomas Judge yesterday declared eastern Montana a disaster area.

In the Sun Valley, Idaho, area as much as 33 inches of new snow fell in a 24-hour period, blowing and drifting snow were reported in Utah.

By early this morning, the third storm to hit the area this week had dropped 3.25 inches of rain at the Los Angeles Civic Center, bringing the season's total to 19.61 inches—more than twice the normal amount. Mostly sunny weather was forecast for the weekend, but another storm could reach the state Monday or Tuesday.

In the East, a full day of sunshine yesterday began to cause some shoveling. In Boston and most of eastern Massachusetts, a state of emergency, however, remained in effect.

More than 10,000 Army troops, National Guardsmen and state and local workers used heavy equipment and shovels to free more than 2,500 cars packed in the snow on Boston's beltway. The work was expected to continue into next week. Military personnel also worked on roads in Connecticut and Rhode Island, Gov. Michael Dukakis in ex-

tended his state of emergency order through today, said: "We have made very substantial progress, but we have a very long way to go."

Montana Disaster Area

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In the Sun Valley, Idaho, area as much as 33 inches of new snow fell in a 24-hour period, blowing and drifting snow were reported in Utah.

There were snow flurries and strong winds in the Midwest. Seven school buses traveling in on Indiana highways were involved in six separate crashes today, authorities said. At least 11 pupils and two adults suffered minor injuries.

Dr. John Gauherz, assistant medical examiner in Rhode Island, said today that 15 persons, mostly elderly, died in this week's blizzard. He attributed 14 of the deaths to heart attacks and the other to asphyxiation.

A heavy snow warning was posted for parts of Nevada. A winter storm watch was in effect for the central mountains of Arizona.

4 Die in U.S. Crash

PITTSBURGH, Feb. 10 (AP)—A crowded commuter bus collided with a trolley south of downtown Pittsburgh during the morning rush hour today, killing four persons and injuring at least 22 others, authorities said.

The report itself is based with

'Mismanagement' Cited**Congress Strafes AF on Computer**

By Bernard Weinraub

WASHINGTON, Feb. 10—A congressional panel has sharply assailed the Air Force for "gross mismanagement and insipid leadership" in failing to comply with a congressional order to terminate a computer system.

At the same time, the House Appropriations Committee accused Defense Secretary Harold Brown and his predecessors of "completely ineffective" inspection efforts involving the computer project and designated Mr. Brown's staff for "useless" efforts and "prolonged procrastination."

The criticism, in an 80-page report obtained by The New York Times, marked the sharpest and most detailed attack on the Air Force and the defense department over the controversial computer system, which was designed to keep track of aircraft repair.

Called "project max," the \$1-million program was part of an overall \$800-million advanced logistics system that the Air Force hoped to install as a management tool for aircraft logistics. It was reported that "cancers are what they are looking for."

A Pentagon statement said that the search was "to determine if there are any health hazards in connection with the tests."

Colonel McGee said that only incomplete lists were available of the estimated 300,000 civilian and military people who attended the tests held in the Pacific and in Nevada from 1946 to 1957.

8 Cases Reported

He said that the search came after eight cases of leukemia were discovered among the estimated 2,100 to 3,200 persons who attended nuclear tests at the Nevada test site near Las Vegas, on Aug. 31, 1957.

Colonel McGee said the names would be passed on to the Center for Disease Control in Atlanta, Ga., and to the National Academy of Sciences in Washington.

He said the names of approximately 90 Canadians who attended the Nevada test had been given to the Ottawa government.

The United States stopped nuclear tests above ground after concluding a nuclear test ban treaty with the Soviet Union in 1963.

The DNA spokesman said that just before the treaty a number of atmospheric tests were carried out in the Pacific with British participation.

U.S. Ex-Soldier Dies

BORDEAUX, Idaho, Feb. 10 (UPI)—Paul Cooper, 44, the ex-serviceman who claimed his leukemia was caused by his close-range observation of an army nuclear explosion 20 years ago, has died, a spokesman for the Veterans Administration Hospital said yesterday.

Mr. Cooper had been hospitalized on and off for the past year with leukemia. He was the first of several veterans to claim that witnessing the atmospheric tests in the Nevada desert caused leukemia.

The report itself is based with

unusually acid criticism of the Air Force and of some of its commands and officers, as well as the defense secretary's inspection apparatus, present and past. In the view of the committee, "The inept and lackluster per-

formance displayed by the Air Force in its failure to comply with congressional direction is indicative of organizational pat-

terns rather than any concerted effort to defy Congress."

The Air Force Logistics Command, "historically inept in ADP (automatic data processing) development, continued an unimpeachable record even in the simple task for dividing an intelligence plan for interim work."

The report noted that the logistics command was given with "intolerable administrative deficiency" that "borders on insub-

ordination."

Project Max in itself, "a legitimate candidate for termination as directed by Congress," was found to "collect and disgorge masses of data which will be most impressive but of little practical value."

Although the report found that the office of the secretary of defense had made some effort to insure that the Air Force complied with Congress, it said that the defense secretary's "inspection efforts were completely ineffective, generally because of the lack of interest of OSD (Office of Secretary of Defense) officials in pursuing findings by the staff and the negative attitude of the Air Force in accepting OSD criticism."

The report added: "Prolonged procrastination by OSD in providing any guidance or direction to the Air Force . . . has rendered OSD staff efforts useless."

It was not until last June, said the report, that the defense secretary's office began taking action involving Project Max. But, the report indicated, little had actually been done since then, and "no specific guidance" has been issued by Mr. Brown's office to the Air Force.

Ernest Fitzgerald, a Penitentiary employee who was fired in 1969 after revealing cost overruns of \$3 billion associated with the Lockheed JS-A cargo plane, has made Project Max an issue.

Mr. Fitzgerald says the Air Force is proceeding apace with a similar project under another name—Actual Hour Accounting System. "It looks like Max, talk like Max, quacks like Max," Mr. Fitzgerald said. "It is Max."

Project Max had been terminated, he said, and work had begun on the other recommendations in the report.

"I assure you that we will, in accordance with the desires of the Congress, expand every effort to provide the Air Force with efficient and effective ADP (automatic data processing) services," Mr. Stetson said.

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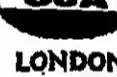
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The West Bank Imperatives

What now in the Middle East? Egypt and Israel are blaming each other for the impasse in their negotiations and asking the U.S. people and government to throw the weight of their opinion against the terms of one side or the other. It is a diplomatic time-out for propaganda that, at the moment, is working for President Sadat. But there is no profit in it for anyone.

The Egyptian leader has persuaded many Americans that his grand gesture of going to Jerusalem was insufficiently reciprocated and that instead of designing a peace, the Israelis are grasping for territory. He contends that he has gone as far as he can by offering Israel acceptance and security and that everything will fail if Israel refuses to commit itself to negotiate toward the creation of some kind of Palestinian homeland on the West Bank of the Jordan.

* * *

The Israelis respond that they have made a comparable gesture in offering Egypt undisputed sovereignty over all of Sinai and that a peace treaty with their principal antagonist awaits only some security arrangements that should pose no difficulty. They say that they cannot possibly discuss the more complicated issues of sovereignty and security in the West Bank until Jordan's King Hussein joins them at the bargaining table.

Sadat says any deal must be comprehensive, by which he means it must envision that territory conquered in 1967 be returned not only to Egypt but on all fronts. Prime Minister Begin and his Foreign Minister Moshe Dayan, say they cannot make a comprehensive agreement with a single negotiating partner whose initiative is condemned by the parties for whom he seeks to speak. President Carter has straddled this issue by stating that any settlement must be both "negotiated" and "comprehensive."

* * *

The President's balance recognizes points of merit on both sides. Israel needs security, not more territory. To get a more comprehensive agreement, Egypt needs to be joined by other Arab negotiators. The U.S. objective in this situation should be to resist, for the time being, Israel's yearning for a separate peace with Egypt while pressing vigorously for at least Jordan to join the talks. Only then will it be determined whether Israel's quest for security guarantees can finally be separated from the claims of some Israelis for permanent settle-

ments in, access to and even sovereignty over the West Bank.

The United States and much of the world, apparently including Sadat, recognize the Israeli fears of hostile military emplacements, terrorists and irredentist political forces based within a few miles of its major cities and installations. But there is little support, and there should be none, for those Israelis who employ the pretext of security, or who proclaim biblical sanctions, to establish more Israeli settlements that can only create new political ambiguities and military necessities.

Nor is Begin's policy of opening new settlements consistent with a genuine bid to Hussein or West Bank Palestinians to join a negotiation in which their claims to sovereignty over the region will be a major issue. For both short-term and long-term reasons, therefore, the United States is right to inveigh against the settlements. If only to diminish the damage they are doing to themselves in the current propaganda contest, the Israelis would be wise to halt all settlement activity as a contribution to peacemaking.

The inescapable issue behind all this, of course, is the Arab world's desire for what has come to be called the "self-determination" of Palestinians—and the Israeli desire to deny it except in the sense of "self-rule" by West Bank communities. If the Israelis cannot become sovereign in the areas they appear determined that no one else will either. The issue is a tragic legacy of rival nationalisms and of the failure of the Arabs to accept the partition of Palestine when it was offered by the world 30 years ago.

* * *

The most moderate Arabs offer now to accept Israel, as they would not then; if they can still obtain partition. The most moderate Israelis contend that the fears produced by four wars cannot be overcome by pieces of paper—and that on this central question, many Arabs are not moderate. The West Bank, then, is not likely to be disposed of in a single round of negotiations or in an agreement that would take effect in a relatively short time.

But the principle can be established that security, and not territory, is the only legitimate Israeli aspiration, and the meaning of security can become the basis of negotiations. With that as his agenda, Carter just might chase the Israelis and Egyptians away from the microphones and press the Arab world to send the Jordanians to put Begin to the test.

THE NEW YORK TIMES.

International Opinion

Proxy War Through Somalia

The Western powers' dislike so far of fighting a proxy war through Somalia has been politically wise as well as humane. But it should first be represented to the Organization of African Unity that the non-intervention of the big powers applies to all candidates not just Western ones; and that secondly, if the latest OAU peace mission fails, the UN Security Council must be seen as the place where Soviet intentions can be given a thorough airing. By any previous definition there is already "a threat to the peace."

—From the *Guardian* (London).

Failure of Begin?

Prime Minister Begin of Israel has so far produced a very bad impression by the paucity of his response to Egyptian President Sadat's peace initiative, and by his government's continued insistence on maintaining Israeli military protection over the settlements, particularly those in the Sinai. He has failed to rise to the occasion. He said in Geneva this week that "people shouldn't expect peace in a day or two or in a week... I ask to negotiate over a period of several months." Fine, but the question is negotiate for what—for a peace settlement or merely to improve Israel's tactical position on the ground? It looks as if Mr. Begin is aiming at the latter. If so, he is making a grievous mistake. Sadat has staked everything on his attempted breakthrough. Every week that passes now, with continued Israeli dithering and procrastination, makes his position more threatened.

—From the *Daily Telegraph* (London).

Central America Contrast

There has been a remarkable study in contrast in two of the small countries of Central America this week. In Costa Rica,

—From the *Times* (London).

In the International Edition

Seventy-Five Years Ago

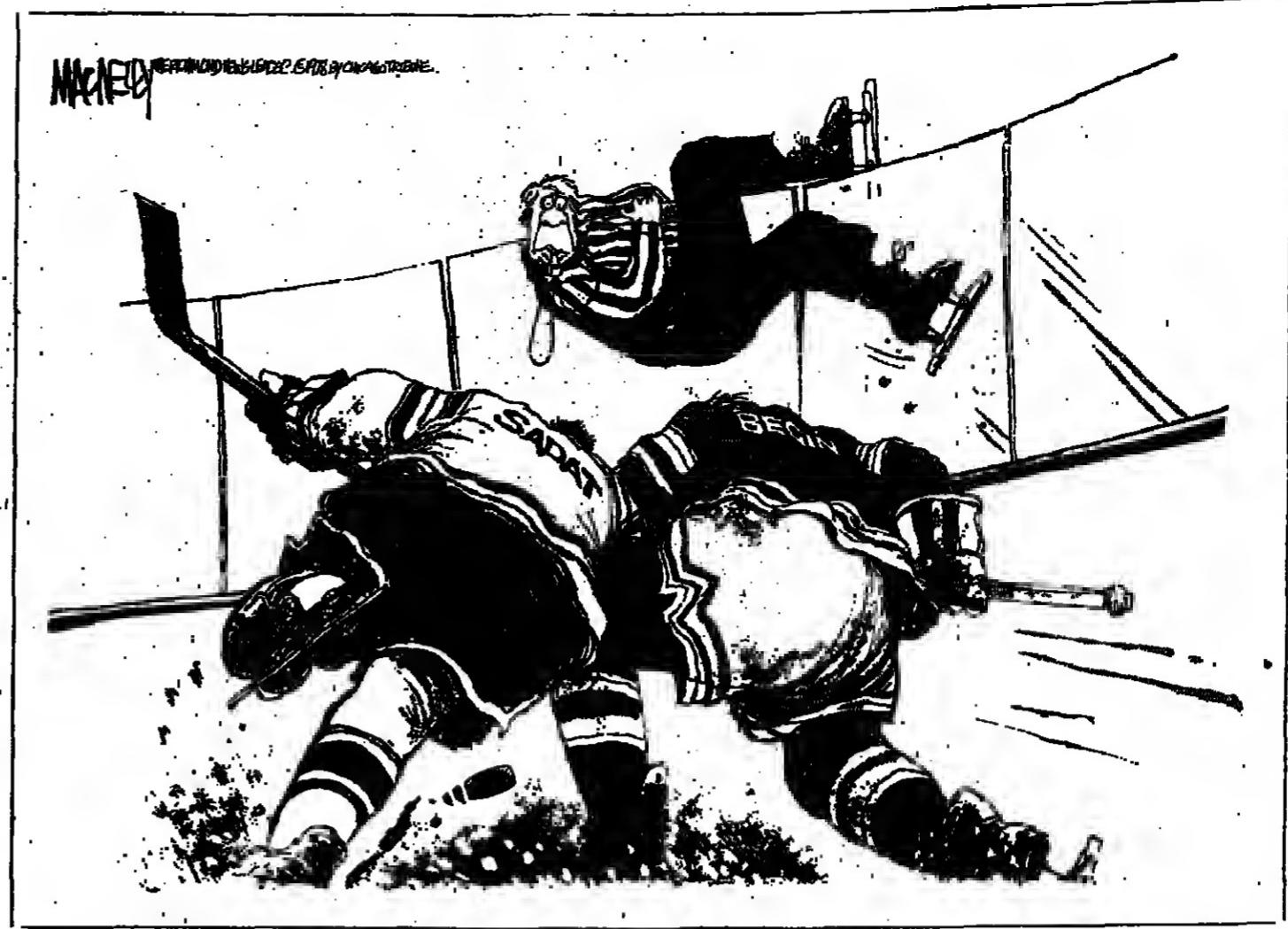
February 11, 1903

NEW YORK—What is declared to be a diamond fallen from the sky was today placed on exhibition in the American Museum of Natural History. It is a diamond embedded in a 40-pound meteorite discovered in Arizona. Tests have proved the substance to be a genuine diamond, and troilite and daubreeite substances which proved an origin not terrestrial, were both found in the iron which encased the gem.

Fifty Years Ago

February 11, 1923

PARIS—"Long trousers will remain for men now that their nether limbs are no longer clad in silk, for the silk hose is passé. American men, every last one of them, have abandoned the silk sock. It just isn't done any more. To be smart a man must wear bright colored wooden socks; cotton is alright but wool is best," said Harold Simmons, a leading British hosiery importer, here yesterday.



Mideast: Washington Tilts to Washington

By James Reston

WASHINGTON—President Sadat of Egypt left the United States in high good humor and Foreign Minister Moshe Dayan of Israel arrived in a foul mood the following day, but the truth is that nothing much has changed except perhaps a growing bore-hole here with both sides.

Washington is not tilting toward Cairo or toward Jerusalem, but toward Washington. This capital's vital interests are not regional but worldwide, and certainly not identical with either Egypt's interests or Israel's, and frankly officials here have other things to do besides refereeing a propaganda war between Sadat and Dayan.

Secretary of State Vance did see Sadat's tough Washington speech just before he made it here the other day, and the Carter administration did consciously take Sadat's side on the emplacement of Israeli settlements in disputed territory. Also, Carter proclaimed Sadat to be "the world's foremost peacemaker," though this is not new, and Carter has never been especially noted for understatement.

Hopping Mad

For the last few weeks, officials here have obviously been irritated with Begin and Dayan on the settlements issue. And the White House is hopping mad at Dayan's attack on Carter's settlements statement. Their objective in the Sadat visit was to get him back to the negotiating table, and they purposefully played up the settlements question so that Sadat would feel that Washington was prepared to lean on Israel when the administration here thought Begin was wrong.

Accordingly, a decision was taken here to emphasize and redefine Washington's support of UN Security Council Resolution 242, and reaffirm Carter's statement to Sadat at Aswan on Jan. 4. The two key passages covering these points in the White House communique follow:

"The settlement must be based on all the principles of Security Council Resolution 242, including withdrawal of Israeli armed forces from territories occupied in 1967, and the right of every state in the area to live in peace within secure and recognized boundaries. Resolution 242 is applicable to all fronts of the conflict."

"There can be no just and lasting peace without resolution of the Palestinian problem. The President [Carter] reaffirmed at his meeting with Sadat at Aswan, Jan. 4: There must be a resolution of the Palestinian problem in all its aspects; it must recognize the legitimate rights of the Palestinian people and enable the Palestinians to participate in the determination of their own future."

Same Tune

The administration emphasizes the importance of these two paragraphs because it is basing its policy upon them. But Carter did not weaken in any way the U.S. government's "historic commitment to the security of Israel" and it did not change its position on borders or its opposition to a Palestinian state. It merely sang a little louder the same tune Begin and Dayan have never liked.

What has changed is the hopeful spirit of the Sadat visit to the Knesset in Jerusalem, and everybody's nerves seem a little rawer now than at the turn of the year. Both sides were talking philosophy then, and now they are talking about political pressure and airplanes and the balance of power.

Sadat wants the U.S. people to put pressure on Israel to give him the peace terms he wants. Israel wants Carter to put pressure on Sadat to moderate his position on the Palestinians and the Israeli settlements on the West Bank and the Sinai. Both sides want the latest U.S. air-planes for themselves and oppose giving them to the other side.

Still there is no evidence here

that the Carter administration is going to change its middle position or give up pressing for mutual compromises and a comprehensive Middle East settlement.

It is only the rhetoric that has changed. Thought Secretary of State Vance not only saw Sadat's National Press Club speech in advance and apparently made a few suggested changes, this is not interpreted by officials here as approved by Vance of all Sadat's stern lectures.

Nor would the State Department spokesman be drawn into an argument over Dayan's latest statement that Sadat was not president of Israel and that neither Sadat nor the United

States has the responsibility for the security of Israel. The spokesman merely replied that the Carter administration had stated its position and Dayan had stated his and let it go at that.

There is some hope here, however, that the two sides may be able to agree to a step-by-step withdrawal of Israeli troops under Resolution 242 over a period of time. Prime Minister Begin referred vaguely to this in Geneva when he spoke of a "transitional" period during which there will be phased arrangements.

He wanted to be sure there would be a "real peace between us," he said. And he indicated that this would probably take "a few months," he said.

Begin, who usually takes a harder line than Dayan, seemed more moderate than his foreign minister this week. He called for patience to heal old wounds and still said there was reason to believe that the peacemaking process would go on. "What I suggest is a chance to negotiate seriously," perhaps a few months, he said. "We have just really started."

It is known that Carter urged the same line on Sadat, who is impatient with the tedious and precise process of negotiation.

Assistant Secretary of State Atherton will be serving as the mediator in this process both in Cairo and Jerusalem in the coming weeks.

The Battle of 'Whizkid Gulf'

By William Safire

WASHINGTON—One of the greatest battles of all times is raging at this very moment, and the U.S. Navy is losing.

The admiral he ordered, "Reassess the term 'maritime superiority'" is a policy enunciated by the previous administration and is in direct contradiction with the policies of the current administration and secretary of defense.

That will come as news to many Americans. As proof that the policy has changed, the critique (written in the Office of Program Analysis and Evaluation) cites this evidence: "The SecDef fiscal year '79 posture statement does not use the terms 'naval' or 'maritime superiority.' Instead it uses the term 'adequate' to describe the desired sea control 'command of the seas' in wartime."

The prize to be won: the national decision to save or to scuttle the U.S. Navy as a force capable of maintaining "command of the seas" in wartime.

The opening blast was fired late last year, as the Carter administration shot out most of the budget for the F-14 Tomcat naval fighter plane, which many defense analysts thought was our best chance to combat the Soviet Backfire bomber.

Smokescreen

Behind a smokescreen of secrecy, the Navy blazed back with a draft of a "posture statement" that made clear that the U.S. policy would continue to maintain naval "superiority."

The whiz kids—more whiz kids, now—thundered their answer in a secret critique of the Claytor-Holloway posture proposal, a copy of which was snatched in a bottle and has floated into my hands.

"Change references to 'maritime superiority' or 'superiority' to 'adequacy,'" the critique suggests.

Why the change? "Adequate" and "sufficient" are synonymous. The reason for the insertion of "adequate" is so that the whiz kids could have their codeword fall from the top man's lips to be cited as it was—in their critique. These are the games bureaucrats play for the highest security stakes.

Letters

Conserving Energy

Joseph Kraft's naive reflections on energy—nuclear in particular—show a disregard for important facts. While nuclear power has been on—and often off—the road for 30 years, with government billions behind it, solar energy has only really begun recently.

Moreover, nuclear power has cost far more than originally supposed, and has not proven more reliable than coal—unless the hundreds of thousands of homes without any electricity when winter sets in the United States simultaneously over recent years when a defect is discovered in a valve or pipe in one nuclear reactor.

Unfortunately, Kraft ignored the most reliable energy source of all—conservation. Today in the United States it is far cheaper to save electricity by building better appliances, machines, or buildings than to produce more in any power plant; nuclear included. And it costs less to save oil and gas by proper insulation and heat recovery than to substitute with coal and electricity for these fuels. Long after today's generation of nuclear and coal-fired capacity has been built, we will still have the energy we saved from conservation. While we can't be sure, where new

energy will come from, at what cost, we can at least count on saving lots of "old energy" and dollars, as well. Sure, a little nuclear, coal, oil, gas, solar energy will help—but we'll need far less in the future than anyone had guessed so far.

LEE SCHIPPER
Stockholm

Taxing Vices

President Carter's "tentative" consideration of a "health" tax on the sales of cigarettes and alcohol (shades of Prohibition) causes me some qualms. If the government wants to voice a somewhat moralistic disapproval of these favored vices, why do they see fit to make more money rather than less out of the sales of tobacco and alcohol? In the case of tobacco, at least, the market is a relatively secure one due to the addictive force of cigarette smoke.

Even though I am a nonsmoker, I've always thought it hypocritical for the government to make any money at all out of cigarettes. I have to wonder why President Carter's morals seem to invariably lead him straight to the money. I can only hope that, in the end, Carter won't turn out to be a smoker, but no less sinister, flip side of Nixon.

JOHN SOSNOWSKI
London

The last to replace the word "superiority" with "adequacy" is rooted in this: Up to now, U.S. defense policy has been to maintain a rough "parity" at the strategic or missile level; to code "superiority" to the Russians on the ground, not trying to match their 100 divisions of troops, and to maintain our "naval superiority."

The reason for our need for naval supremacy is that our allies are across oceans while the Soviet allies are contiguous to the Soviet Union.

But if, as the whiz-kid critique makes clear, we should abandon naval superiority as our goal, that would affect our entire defense balance.

The critique revealed the depth of Adm. Holloway's despair: "The statement of Adm. Holloway that the balance of maritime superiority will tip substantially in favor of the Soviets within the next 5-10 years"—that's some warning from our chief naval officer—is not supported," wrote the men around the Defense Secretary. Harold Brown induced the admiral to change "will" to "is" in the version with "secret" stamped on it, that phrase was changed to read: "We would want to be able to provide adequate sea control forces to maintain our lines..."

Why the change? "Adequate" and "sufficient" are synonymous. The reason for the insertion of "adequate" is so that the whiz kids could have their codeword fall from the top man's lips to be cited as it was—in their critique. These are the games bureaucrats play for the highest security stakes.

As the smoke clears from the opening engagement of the Battle of Whizkid Gulf, the Navy has been able to navigate around the torpedoes of adequacy and holds fast to the idea of superiority. But the secret "consolidated guidance" from the defense secretary projects a naval "decrement" (that's Pentagonese for the opposite of "increment") of 5 per cent a year, which would bring the Navy down to 300 ships by 1990. You could call that "adequacy"; the Russians would gleefully call it "inferiority."

Harold Brown bids fair to become the Louis Johnson of the 1970s: As the CIA estimates the Soviets now spend 12 per cent of their GNP for arms, we now project 5 per cent, lowest rate since 1958. They used to say only in the presidency of a stamp-and-Communist could the opening to Communist China take place; in the same way, only in the presidency of a former naval officer could we see the scuttling of the U.S. Navy.

But as we tippy-toe out of the sickroom, half convinced that by this time next year the endotheric elephant will, like Endymion, have undergone a particularly pleasurable change, let us pause to remember an ancient adage, given fresh currency by what happened in New Jersey last fall:

As my old father used to say, you can never lose money, in the long run, betting on the Republicans' capacity to foul up their own chances. A year from now, the fabulous invalid will probably still be toes-up, as usual.

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After Years of Political Turmoil

China's Army Is Reported Reorganizing for Readiness

By Jay Mathews

HONG KONG, Feb. 10 (UPI)—The Chinese Army appears to be reorganizing its middle and lower officer corps to restore combat readiness and the efficiency that has been lost during the last few years of political turmoil.

Recent official radio broadcasts indicate that many middle-level officers in the nation's 11 military region commands are being transferred or demoted, and analysts here say similar shifts not reported in the official press are probably occurring at lower levels.

A Jan. 30 article in the official army newspaper, the Liberation Army Daily, speaks of the need to eliminate "overstuffed, lethargic, arraigned, extravagance and leniency and the signs of softness, leniency and negligibility in the leading groups of some units."

It and other recent articles recall a 1975 decision by the party's Military Affairs Commission to toughen and consolidate army units. That decision was frustrated by the political power struggle in the months before the death of Chairman Mao Tse-tung.

"It is imperative to unify our war concepts and be well prepared to fight," a recent editorial in the army newspaper said. "We must simplify our organization and strengthen the companies' organizational discipline must be emphasized and all strict must be put on obeying orders and commands."

Military Maneuvers

The official Chinese press has in the last two weeks reported current or completed military maneuvers in several areas. The army appears to be returning to an emphasis on training after years in which soldiers were told to concentrate on reading the works of Mao and other political writings.

Despite repeated official calls for the modernization of the outdated equipment used by the 3.5-million-member armed forces, China's military leaders appear to have decided to limit new military spending until the country can revive its economy. "It is imperative to adhere to the principle of practicing economy in army building... To do our utmost to save and reduce military

Zurich Puts Off Tax Bill Ruling On Solzhenitsyn

ZURICH, Feb. 10 (AP)—Zurich authorities today affirmed that Alexander Solzhenitsyn was a bona-fide taxpayer despite their disputed claim of an unsettled tax bill of about \$2 million.

Breaking a two-week silence on the case, the Zurich State Finance Department issued a statement saying its case against the Nobel Prize laureate was "complicated and needed further clarification," but that it was already certain he acted in "good faith."

At issue are royalties from Mr. Solzhenitsyn's best-selling "Gulag Archipelago," which were directed into a tax-free social fund set up by the author for the families of dissidents in the Soviet Union. That fund was set up after Mr. Solzhenitsyn irrevocably renounced all royalties from the book.

The tax administration holds that even though Mr. Solzhenitsyn did not keep the royalties, he was the first recipient and thus is liable to pay taxes on them. A decision in the case is likely to take several months.

"Faith in the Third World," a Swiss human rights group in touch with Russian dissidents, said that up to last November, about \$210,000 have been paid out of the fund to families of imprisoned dissidents "despite Soviet chicanery."

Red Army Ends Winter Games

MOSCOW, Feb. 10 (AP)—Red Army tank and aircraft units ended five days of winter maneuvers today and Western military observers who were permitted to attend said they found the Soviet troops well organized and "quite impressive."

The observers, including U.S. and British officers permitted to watch Soviet war games since the time of World War II, spent four days at the games near Minsk. Some 25,000 Soviet soldiers and airmen took part in the exercises, which stressed the coordination of air and ground forces.

Officers said that they were shown only a "very scanty" sand-table mock-up of the planned maneuvers on the first day of the exercise, but of scale and with few details, but later were taken on detailed visits to several units.

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ASSOCIATED PRESS
HEADS-UP PUBLICITY—Motorists in Fort Morgan, Colo., first thought it was simply a case of a jogger doing a headstand in an ice-filled dip in a street. As it turned out, it was photographer James Carroll's way of attracting attention of city officials to dangers posed by overflowing drainage channel.

Familiar Strains Blamed

U.S. Reports 3,000 Deaths Due to Influenza, Pneumonia

ATLANTA

Feb. 10 (AP)—More than 3,000 deaths have been attributed to influenza and pneumonia in the United States in the last four weeks, the National Center for Disease Control here reported yesterday.

The center said that apparently virtually all of the deaths were caused by flu strains other than the Russian virus. An outbreak of Russian flu was reported Jan. 26 among high school students in Cheyenne, Wyo., and there have since been other cases. The Russian flu strain was first reported in December in the Soviet Union and Hong Kong.

Laboratory tests confirmed Russian flu as the culprit in recent outbreaks in Colorado, Michigan, Texas and New York, in addition to Wyoming, the CDC said. Many of those cases

were among young military personnel.

Other viruses, including the more familiar A-Texas and A-Victoria strains, have been reported in practically every state, the CDC said.

Familial Virus Strains

Although it is too early to determine the exact number of deaths attributed to influenza and pneumonia this winter, the CDC's reporting system involving 121 cities shows that, in the last four weeks, when 2,000 deaths might have been expected, there have been somewhat more than 3,000. On that basis, the CDC is calling it an epidemic.

It would appear that the level of intensity is below the last epidemic, which occurred in spring, 1976, when there were 20,000 deaths, said Don Berrett, CDC public affairs spokesman.

Trouble at Walvis Bay

Major Controversy Brewing On Future of Namibia Port

By John F. Burns

WALVIS BAY, South Africa, Feb. 10 (NYT)—When people reach for an analogy, they compare this tiny enclave on the Atlantic coast of South-West Africa (Namibia) to Hong Kong. But on a blowy weekend afternoon, with whitecaps cresting a grayish sea and sand whipping off the surrounding desert, pelicans diving for fish are the most colorful sight to be seen.

Residents concede that little sits here except in the harbor, which is the only major port on a 1,400-mile stretch of Africa's Atlantic coast.

"You've seen the ships, that's it," said Martin Coetzer, a mechanic. He discussed the local scene between wagers at the betting shop, which is linked by telephone to horse racing in South African cities 1,000 miles away.

Imperial Germany, a latecomer in the scramble for Africa, staked claim to the arid hinterland six years later, establishing a colony that lasted until a South African army overpowered the small German garrison in 1915. But Walvis Bay remained a British enclave from the outset, first as part of the colony at the Cape of Good Hope, and after 1919 as part of South Africa.

Mandate Granted

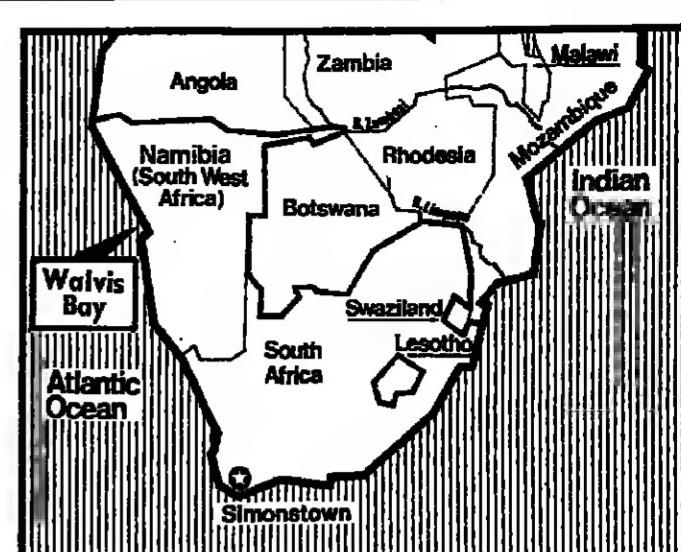
After 1920, when South Africa was granted a mandate over South-West Africa by the League of Nations, the port and the surrounding area were administered as part of the territory.

The juridical link with the rest of the vast semi-arid region lasted until five months ago, when a South African proclamation returned the enclave to Cape Province, with the proviso that it would continue to be governed for the time being from Windhoek, the territorial capital.

Private Outpost

The South African stand gave currency to the comparisons with Hong Kong. Unless the South African government has an unexpected change of mind, Walvis Bay will become a foreign outpost on the territory of an independent country, handling much of that country's trade, much like Britain's colony on the coast of China.

The South-West Africa People's Organization, the nationalist group waging a guerrilla war against a South African army in the northern reaches of the territory, has denounced South Africa's plans for the 430-square-mile enclave as illegal. But South African officials have stood firm, saying only that they are prepared to discuss the issue with the eventual government of Namibia, as the territory is to be known. South Africa bases its



whom are Afrikaners, the predominantly Dutch-descended people who rule South Africa, there is little desire for a deal that surrenders the port to a black government. "The things that happened in Angola, we wouldn't like to see them happen here," said Neil Dreyer, a former mayor, referring to the exodus of Portuguese settlers from the country that borders South-West Africa to the north.

At a railroad siding in a hink of the bargaining power South Africa will have with the government that takes over in Windhoek. Black workers, most of whom are migrant laborers brought in on contract from Ovamboland in the far north, use a forklift at the siding to unload zinc ingots brought in by rail from a U.S.-owned mine at Tsumeb, in the northeast.

Except for the diamonds mined on the beaches in the south, almost all the mineral exports of South-West Africa, which account for the bulk of its foreign exchange, move through the port, which also receives a large proportion of the region's imports, including oil. Apart from a minor port at Luderitz further south, which is too small for the larger ocean-going vessels, the only other means of moving goods to market is by road or rail to South Africa. After work, many of the black

workers repair to an open area back from the seafront that they have dubbed "sandy hotel." There, seated on old tires, cardboard boxes and seats taken from abandoned cars, they drink a maize-based beer, matombo, produced by illegal stills, and discuss work and politics. Despite language barriers, all those asked made it clear they backed SWAPO.

"One nation, one Namibia," one cried, raising his glass, prompting a chorus of the SWAPO slogan from his companions. Putting aside his glass, the man asked a stranger who had come to a South African to prime Minister John Vorster: "Tell him to get out of our place," he said, meaning the port.

Milan, Turin Hit By Heavy Snow

MILAN, Feb. 10 (UPI)—Six inches of snow fell on Milan and Turin today, causing traffic chaos. Milan's Linate and Malpensa airports were closed to traffic. Villages in the hills around Turin reported up to a foot of snow.

Genoa and much of the Italian Riviera reported the first snowfall in years. Snow also fell in the Bologna area and inland from Venice.

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Visit

a Side

ART MARKET

Victorian Painting And Its Traditions

By Souren Melikian

LONDON, Feb. 10 (IHT).—The sale of "The Victorian Painters" at Christie's last Friday received attention on the astonishment diversity of style impeded by the heading "Victorian," under the heading "Victorian," a purely chronological arrangement, that has little aesthetic substance to it.

While Turner was developing his "impressionistic" borders on abstraction a quarter of a century before the French coined the word "Impressionism," a whole school of English landscapists continued to work in a style based

on the teachings of 17th-century Dutch painters.

John Wilson Carmichael was one of the representatives of this Ford collection, which paid the utmost attention to precision and detail.

Howard on the handling of light reflected in the foamy waves and rolling clouds emerging into the sea, to all shades of gray, dark blue and, finally, white. "Wright George, Artistic Vessels Towed by Heavy Seas" dated 1865 brought £7,150.

It is a genuine masterpiece of observation.

Such works are ignored by art history, largely, I suspect, because there is no history to write about the uneventful lives of artists who were provincial, and pleasantly successful.

Another example is John Tenement (1798-1872), who exhibited regularly at the Royal Academy from 1820 to 1847. His seascapes "Fisherfolk on the Shore" done



Louis Bosworth Hurt's "Peaceful Loch and Mist-Wreathed Hill," which fetched \$3,850.

"in 1830 which was knocked down at \$2,000 heavily leans on a tradition that can be traced back to the 17th-century Dutch master Van de Capelle through such 18th-century successors as Jan Van Os (1764-1808). The latter's pale golden skies with white clouds and his finely drawn fishing boats with contrasting dark hulls and white sunlit sails must have directly inspired Tenement."

This tradition continued to thrive into the early 20th century. Alfred Eastville de Berneval, who lived in Greenwich and exhibited at the Royal Academy, is one of its late 19th-century representatives.

A "Sunrise Over a Mountainous Lake Landscape" is a lovely study of the sun rising over high mountains and reflected in the deep oval lake in the foreground.

The price of \$440 illustrates the comparative disregard in which such works are held, because they are considered too late in period for their style—an art historian's argument which does not weigh very much with anyone interested in painting for art's sake.

Later still, when the Continent concerned itself with the Nazi movement and art nouveau, the tradition continued with totally original artists such as Scottish painter Louis Bosworth Hurt.

One of his landscapes included in the 19th Royal Academy exhibition, "In a Northern Glen by Peaceful Loch and Mist-Wreathed

Hill," is, aesthetically speaking, a masterpiece of light study with a precision in its brushwork that equals 18th-century British landscape painting at its highest. In atmosphere, it equals the best of romantic painting with its lucid sky and dark stream. It brought \$2,850.

Alongside this late blossoming of the British landscape tradition, what could be characterized as the Barlow school, drawing its themes from historical scenes, contemporary novels, etc., produced superficially conventional paintings that frequently border on caricature.

Robert Alexander Ellingford's "Waterloo June 1815" showing Wellington encouraging the British infantry is a typical example of the falsely dramatic genre. The handsome price of \$2,800 given for this picture, while not bad, is, in the opinion of many, far below the historical message, the "heroism of the British Army" but hardly in the painter's mastery of composition or draftsmanship.

Greater competence was often displayed by painters of social subjects. Judging from Friday's

price interest in this genre painting has never been so high. A pair of pictures, "Waiting for the Verdict" and "The Acquittal," done by genre painter Abraham Solomon (1824-1882) in 1865, rose to \$10,000—an extraordinary price by a Liverpool gallery.

Charles Robert Leslie (1794-1859) born in London of American parents, first known as a painter of historical scenes, turned to contemporary subjects after a trip to the Continent in 1817 and occasionally sought his inspiration in novels. "The Reading of the Will," a scene from "Jobes Snoddy's 'Rodric Ranion,'" is one of the latter showing 18th-century characters painted in colors borrowed from Frans Hals and other 17th-century Dutch masters. It made \$4,150, a high price owing to the painter's cleverness in rendering an 18th-century decor to perfection.

The peak of convention was probably reached with the pseudo-oriented subjects which attracted a great many painters. Lord Leighton (1830-1896) typifies the painter whose facile talents justified itself to the fads of the day. Born into a rich family, he was a well-travelled English aristocrat. At the age of 10 he was already working in Rome with the now-forgotten F. Metz and was only 14 when American Hirsh Powers met him in Florence and prophesied he would be as great as he would like to be. He won his fame as a neo-Italian primitive painter with his "Madonna in Circumstances" exhibited in 1853 at the Royal Academy which Queen Victoria bought.

A trip to Spain and Egypt in 1866 prompted him to try his hand at oriental subjects including "Sun Glimpses (The Arab Hall)" which made \$4,400 last Wednesday.

In it a woman in

Moroccan-Algerian costume languidly leans against a shining marble column, twice the title of the picture.

It would seem that there is no financial discrimination between the controversial trends of 19th-century painting. This may simply reflect the aesthetic uncertainty of our own time where similar splits continue to affect all the arts.

By John Walker
LONDON, Feb. 10 (IHT).—William Congreve's "The Way of the World" was not a great success on its original production in 1700 and, although it has obstinately refused to die, it has not been a great success, as a play, since. "As dead as a doornail," Max Beerbohm called it, although acknowledging the richness of its dialogue and the excellence of its characters.

John Barton's production for the Royal Shakespeare Company at the Aldwych attempts to rehabilitate it as a play by grounding the characters in reality, an actual environment, and by paying as much attention to the details of the plot as to the rhythms of the language.

The result is to emphasize Congreve's faults rather than his virtues. Stripped of their accustomed gaudiness, the characters do have a dimension of truth as they flutter round Lady Wishfort and her fortune, like moths drawn to a guttering flame.

Judi Dench (Millamant) and Beryl Reid (Lady Wishfort).

cution of Benjamin Franklin" at the Mayfair Theatre. The title is a tricky one—it is about an Australian elocution teacher faced with a seductive 12-year-old boy pupil named for the American polymath—and the writing has a similar tendency to try for cuteness and charm and to rely on easy theatrical effects.

Ostensibly, it is a pica for tolerance toward his lonely transvestite stuck in an unfriendly society, condemned to curing the speech defects of the dim and raising the charms of young Ben. But such wisdom as the teacher passes on to his pupil—"straight hat" and, concerned over Ben's relationship with a male hatress, "try women," as if they were a patent medicine—reveals rather less coherence.

Bracing Cynicism
This bracing cynicism gives a still-cutting edge to Wilde's wit, although his stagecraft is sometimes askew—as Shaw asked, when reviewing the original production, why does Mrs. Cheveley, his blackmailer—whose crime is to bungle her villainy—comes to knock over a chair while in

the second act, which takes up the story eight years later, just in time to observe the man's suicide in a mental hospital, where he has been sent after a police raid, suggests that the author's concern for his character is limited to his use as a blunt instrument with which to belabor Australasian social attitudes.

Gordon Chater's performance as this actor-milk is a compelling one, but enjoyable for theatrical reasons, on the level of watching a talented professional sustain a difficult role.

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Stolen Greek Icons Recovered in London

LONDON, Feb. 10 (Reuters).—The Greek Consulate here has taken possession of two stolen Greek icons, one valued at about \$100,000 (\$190,000), which had been offered to a London gallery by a Middle East dealer.

A Cretan icon was found to have been stolen from the Benaki Museum in Athens in November, 1965. Subsequently, the unnamed dealer offered a larger and more valuable double-sided icon which it was discovered had been taken from the Bishop's Palace on the Island of Rhodes.

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THEATER IN LONDON

Emphasizing Congreve's Faults



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Japan Import Licenses Decline 15% in Month

TOKYO, Feb. 10 (AP-DJ)—Imports licensed in January totaled \$6,616 billion, down 14.9 per cent from \$7.8 billion in December but up 2.6 per cent from the year-earlier month, the Ministry of International Trade and Industry said today. On a non-basis, licensed imports totaled 1.3 trillion yen last month, down 17.3 per cent from December and down 16.2 per cent on a year earlier.

In December on a dollar basis, licensed imports had fallen 26.1 per cent from a year earlier and 2.8 per cent from the month, but the yearly drop was due to a bulge in nuclear imports in December, 1976.

MITI announced yesterday at January certified exports were 22.4 per cent from a year earlier to 7,286 billion, but were down from a record \$8,101 billion in December.

Imports licensed in the United States in January fell 1.6 per cent from December, and per cent from December.

SEC Protests to Japan on Tide's Speech

BRUSSELS, Feb. 10 (AP-DJ)—The Common Market Commission protested today about remarks attributed to Japan's Minister for External Economic Affairs, Nobutiko Ushiba, concerning SEC efforts to west trade measures from the Japanese government.

The oral protest was made by Sir Roy Denman, director general for external affairs at the commission, to the Japanese minister to the SEC, Marshall Arnoff Jr. of Smith Barney, Harris Upham & Co. "I'm not saying it won't happen but we doubt this is going to be it. Any near-term turn is likely to be very volatile and

15.9 per cent from a year earlier to \$1,061 billion. Those from the European Economic Community were up 8.7 per cent from the prior month and 28.2 per cent from a year earlier to \$345 billion.

Import licensing indicates trends in the short-term, but is largely a formality to make sure imports meet domestic laws and procedures.

Ship Bankruptcies

Meanwhile, a chain reaction of business failures of the shipbuilding and shipping-related concerns emerged in Japan today, a sign of increasing deterioration in the recession-plagued industry.

Underlining the problems of the shipbuilding industry, it was also announced that export ship contracts received in January fell 43.8 per cent from a year earlier in terms of tonnage.

An Osaka-based shipping company, Daiwa Kaiun KK, applied for composition with its creditors at district court today with debts estimated at about 20 billion yen, according to a private credit inquiry agency.

The Daiwa failure stems from the failure already reported of Shio-Yamamoto Dockyard Co., a Kobe-based shipbuilder, which has liabilities estimated at 24 billion yen, the second largest shipbuilding failure after Hashimura Zosen KK, which went under last December with debts of 45 to 50 billion yen.

Related to Daiwa Kaiun, Asahi Koei KK, Tokyo-based marine equipment trader, applied today for liquidation with Tokyo district court with debts of 20 billion yen.

Asahi Koei is also affiliated with Nippon Yusen KK (NYK Lines), the world's largest shipping company in terms of ships owned.

The Japan Ship Exporters' Association said today that export ship contracts obtained in January involved 20 vessels totaling 184,600 gross tons, valued at 45.9 billion yen, a tonnage drop of 33.8 per cent from a year earlier.

The association said the export ship order backlog as of the end of January came to 470 vessels, which total 8,269,000 gross tons.

Of the total, 245,000 gross tons was accounted for by ships for which contracts were due for cancellations, and 678,000 tons by ships completed but laid up at shipyards at the request of owners.

Hence, the net order backlog was 7,344,000 tons, less than 15 per cent of the 50,240,000-ton peak in March, 1974.

Dollar Declines As Franc Firms In Quiet Trading

LONDON, Feb. 10 (AP-DJ)—The dollar came under somewhat heavy pressure late today on the foreign exchange market in Europe, and it slipped from its intermediate high against such currencies as the deutsche mark and Swiss franc.

The dollar collapsed at the end. It looks like it was a heavy commercial order, maybe unwinding dollar positions taken over the last three days," one trader said. He said West German interests may have been involved, but noted that the Swiss franc particularly benefited by the action.

Against the Swiss franc, the dollar lost 1 centime to 1.9650 francs. It shed a quarter of a pfennig against the deutsche mark at 2.1060 marks.

Otherwise, dealings were described as very quiet, with rates following a steady course until the last hour of trading in Europe.

In London, a spokesman for the Treasury said that he could either confirm or deny the result of a weekend meeting in Paris. French officials refused comment on the report.

The central bankers attending the weekend meeting in Paris are expected to proceed to Basel for a regular monthly meeting with more of their colleagues on other industrialized nations at the Bank for International Settlements.

Motorcycle Output Increases in Italy.

MILAN, Feb. 10 (AP-DJ)—Italy's production of motorcycles rose 12.7 per cent to more than 2 million units in 1977, from the previous year, the Association of Motorcycles makers reported on the basis of still provisional data.

Out of the total about 500,000 units were motorcycles below a cylinder capacity of 50 cubic centimeters.

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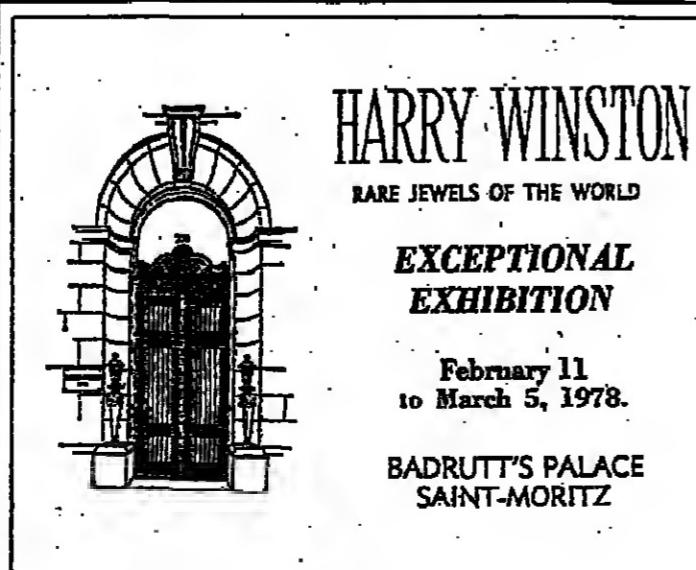
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Stable or Rising Dollar Would Help

Wall St. Pins Hopes on Foreign Buyers

NEW YORK, Feb. 10 (AP-DJ)—One of the more plausible hopes capturing the hearts of some market observers in recent weeks is that the dollar will firm and that foreign investors then would become heavy buyers of U.S. stocks once again. In theory, this would provide the base needed by the faltering stock market and put some backbone into cash-rich institutional investors here.

It is an interesting theory. Foreigners, after all, have had good reason to hold back on stock purchases while the dollar value of those stocks was declining in relation to their own currencies, aside from any market price declines, and it is conceivable that a stable or rising dollar would tempt them to return to the U.S. stock market.

But some Wall Street portfolio strategists do not think the market's current malaise will be easily cured as all that continue to advise caution to their institutional clients.

"We suspect the foreign-buying view may overstate the aggressiveness of most foreign investors," says Marshall Arnoff Jr. of Smith Barney, Harris Upham & Co. "We're not saying it won't happen but we doubt this is going to be it. Any near-term turn is likely to be very volatile and

this would indicate to us that a firm foot-hold hasn't yet been established for a significant and sustained move up." Besides, he adds, foreign buyers have tended to be on the late side of market moves "and I'm not sure that has changed."

Mr. Arnoff believes the most likely source of the market's badly needed stabilizing influence is the individual investor, who remains sensitive to yield and to the relatively better returns he perceives in alternative investments.

However, "with the exception of utilities, consumer stocks continue to generate little enthusiasm from individuals," he says. "Until this changes, we would hold any upward move in the market suspect."

Mr. Arnoff believes that periodic market rallies may, indeed, coincide with recovery moves of the dollar, but he expects currently negative investor sentiment to prevail over the next six months.

Beyond that, he believes "the beginning of a meaningful move in the stock market might be possible" by late summer. Investors have a clearer focus on the economy's momentum and Federal Reserve Board policies under a new chairman, among other things.

"We feel the requirement for a better

market is some slowing of economic growth and less negative inflationary trends, which would tend to take some of the upward pressure off interest rates," he says. Meanwhile, Smith Barney continues to advise clients to hold cash reserves ranging from 10 per cent to 30 per cent of assets, depending on desired portfolio risk, and cash-income holding equal to 20 per cent to 40 per cent of assets.

"A better buying opportunity in the bond market may occur in the months ahead," says Mr. Arnoff. "In the meantime, we prefer rolling over short-term paper at yields exceeding 6 per cent. Bond investments should focus on the highest quality because the spread remains uncomfortably narrow between low and high-quality paper. U.S. Treasuries are the preferred vehicle, particularly intermediates, for any current purchase programs."

"Equities should be largely yield and domestic oriented. Utilities continue to comprise a major portion of our portfolio. Some value is apparent in selected steel and copper. We continue to favor the drug group in the growth category. Selected issues in lodging, beverages, packaged foods, insurance and housing are attractive," Mr. Arnoff thinks.

Corporate Clients Go to Other Sources

Big N.Y. Banks Say Loan Activity Is Still Very Slow

NEW YORK, Feb. 10 (AP-DJ).

Although U.S. business loan demand continues to rise throughout the nation, as the economy improves, the biggest New York banks are still experiencing unusual difficulties drumming us business as their large corporate customers are turning increasingly to other sources.

Business loan demand among major New York banks "is still very soft," David Rockefeller, chairman of Chase Manhattan Bank, said in an interview.

"We have noticed some slight increase and we have seen a few indications corporations are taking out capital construction plans and dusting them off. But I am afraid there has been nothing very dramatic yet."

Donald Woolley, chief economist of Bankers Trust Co., says the bank's lending officers "still don't perceive all that much strength in loan demand." The main reason, he said, is "our largest customers have numerous competitive alternatives," such as the commercial paper market or borrowing abroad. "We tend to get loan growth late in the cycle when corporate spending picks up, especially the bricks and mortar type," Mr. Woolley added.

Shown in Fed Data

This trend was underscored by the latest weekly figures released by the Federal Reserve, Bank of New York yesterday. Commercial and industrial loans on the books of leading New York banks declined by \$35 million in the week ended Wednesday.

That was the seventh consecutive weekly decline, making a total decline of \$245 billion for that period. In the previous week, commercial and industrial loans fell \$251 million, the Fed reported. In the like 1977 week, commercial and industrial loans estimated that bankers' acceptance increased \$146 million.

In the latest week, the Fed'sances, or trade bills, declined about \$70 million. Such bills are normally considered money market instruments but are counted as loans when held by banks.

They represented the single largest area of decline during the week, followed by decreases in loans to gas and electric utilities and the retail trade, a Fed spokesman said. There were increases in loan demand from food, liquor and tobacco companies, the wholesale trade and service industries, he said.

Some concern was voiced about the U.S. wholesale price rise of 0.9 per cent in January. While dealers said the figure added fuel to worries about inflation, the dollar showed little immediate reaction to the news.

The French franc gained some ground and dealings in the French currency were less agitated than of late. Against the French franc, the dollar lost 1.33 centimes at 1.8650 francs.

Otherwise, dealings were described as very quiet, with rates following a steady course until the last hour of trading in Europe.

In London, a spokesman for the Treasury said that he could either confirm or deny the result of a weekend meeting in Paris. French officials refused comment on the report.

The central bankers attending the weekend meeting in Paris are expected to proceed to Basel for a regular monthly meeting with more of their colleagues on other industrialized nations at the Bank for International Settlements.

New York said: "In the city, the entry of a large number of foreign banks and the singleness of loan demand from the single corporate customers have affected the competitive climate, stimulating greater attention to costs and ingenuity in pricing and marketing."

Mr. Volden later added in an interview that "a lag of six months for this long a period of time at the big banks is unusual."

Mr. Woolley acknowledges that the economic scenario he foresees indicates trouble for the stock market. "When individual investors can earn high rates of interest from fixed-income securities with little or no risk, the stock market is bound to suffer," he said.

The Labor Department's index of finished goods prices for the last stage before consumers buy products, rose 0.6 per cent in January. The increase was about the same as monthly increases last year, as food prices continued a steady climb.

However, prices rose more sharply in earlier stages of production, indicating further price increases may be on the way. A more rapid pace of inflation was particularly pronounced at the intermediate stage of production, partly because the unusually high level of residential construction activity resulted in higher prices for most construction-related products, the department said.

The price index for crude goods such as mining and farm products, rose 2 per cent in January, the fourth straight monthly increase. Prices at the intermediate stage, where commodities require further processing, rose 0.9 per cent, the largest increase since last April.

Prices for all wholesale commodities rose 0.9 per cent, the biggest increase since a 1-per-cent rise last April.

The department had depended on the all-commodities wholesale price index until December but is phasing it out on grounds it exaggerates the impact of inflation by counting many price increases more than once.

Wholesale Prices Drop 1.5 Per Cent in Japan

TOKYO, Feb. 10 (AP-DJ).

Wholesale prices during January fell 1.5 per cent from a year earlier and 0.1 per cent from December, due largely to the appreciation of the yen, bringing the wholesale index down to 105.8 (1975 equals 100), the Bank of Japan said.

The January decline follows an equal 1.5-per-cent year-to-year drop in December—the first annual drop since 1971. Prices have declined on a month-to-month basis since October, when they fell 0.2 per cent from the prior month.

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SEC May Take Over Futures Trading Unit

By Colleen Sullivan

WASHINGTON, Feb. 10 (WP).

The Securities and Exchange Commission has dealt the tiny Commodity Futures Trading Commission a devastating blow by proposing to take over the regulatory authority for the rapidly growing financial futures markets or, alternatively, to assume all of the CFTC's functions.

In sharp contrast, the SEC has a staff of more than 2,000 and a budget of more than \$50 million to supervise the nation's eight stock markets and the over-the-counter and bond markets. The stock markets total less than \$200 million annual volume, according to the SEC annual report.

A 10-page memorandum to the General Accounting Office which has been obtained by The Washington Post, the SEC cited two primary reasons for the proposals: The surveillance difficulties that both agencies encounter under the present setup, and the "potential for manipulative and other adverse effects on the markets" as the futures industry expands into financial and capital-raising systems.

According to the document, the GAO requested the memo for a major audit of the CFTC undertaken as part of the reauthorization review of the 3-year-old agency. Reauthorization and budget hearings for the CFTC are scheduled for the week of Feb. 21 by four congressional subcommittees.

The beleaguered agency is expected to undergo rigorous scrutiny for its past performance, especially its administrative practices and its difficulties in enforcing federal regulations against widespread fraud in London commodity options sales.

While both critics and friends point to the awesome task the agency faces in regulating the \$1-trillion-volume commodity markets, they have been quick to point out in the past that the intrinsic differences between the two commodity and securities markets require a vastly different regulatory approach.

The SEC memo notes this. "The basic regulatory goals of securities and futures legislation have necessarily been different," the document states. "The futures markets were not intended to do not have a capital-raising function similar to the securities markets. They were not intended to be investment markets."

PART

ONE

FOCUS ON

SAUDI ARABIA

Unique Wealth Propels the Kingdom to Global Influence

Conservative Power Dons More Assertive Diplomacy

By Joseph Fitchett

JEDDAH (IHT).—Holding the oil deterrent in a world gripped by an energy crisis, Saudi Arabia has suddenly emerged as a key player in the Middle East and an important international factor in both politics and economics.

Overnight, Saudi diplomacy has become more assertive, using oil, wealth and prestige to counter radical trends in the Middle East and to block Soviet influence while expanding ties with the United States and Western Europe.

Long a reluctant oil giant, which sought protection in self-effacement and cautious avoidance of risks, Saudi Arabia has become much more activist, particularly since the new team of leaders took control in 1975. Despite this change in style, the substance of Saudi foreign policy remains the traditional one of maintaining the political climate that enables this nation to capitalize on its oil and wealth without outside interference, say diplomats in this "administrative capital" of the kingdom. Embassies traditionally were not allowed to operate in Riyadh, the "royal capital"—a policy which is just changing as part of this kingdom's opening up to modern society.

The major Saudi safeguard is probably superpower détenté with its implications for regional stability; but Saudi policy looks after its local interests by pursuing collective moderation in the Organization of Petroleum Exporting Countries (OPEC), moderation and consensus among Arab states, negotiated settlement of the Arab-Israeli conflict, Muslim solidarity and the eradication of left-wing regimes in proximity to the kingdom.

Own Durability

By Ian Seymour

DRAHMAN (IHT).—It is no exaggeration to say that the economic well-being of the industrialized Western world in the 1980s will depend very much upon the continuing stability and benevolence of Saudi Arabia.

In the case is not so much because of the already vaunted financial power of the desert kingdom — investments outside one's own borders are, in the final analysis, more of a hostage than a weapon—but simply because in a few years the West will probably be uncomfortably reliant on Saudi Arabia's willingness to expand its oil production to meet market demand.

For the moment, of course, and for at least the next two years, there will be no oil shortage. But sometime after that, when the current influx from the North Sea and Alaska has reached its plateau, demand for OPEC oil, and particularly Saudi

oil, will begin to rise at a rate requiring levels of Saudi output far in excess of the government's newly reimposed ceiling of 8.5 million barrels per day (bpd).

Some of the higher forecasts for needed output from Saudi Arabia, such as the 12.2-million bpd projected by the CIA for 1985, are out of the question as far as Saudi Arabia's readiness to supply is concerned. But even the more conservative forecasts, which put the world's requirement from Saudi Arabia at, say, 12 million bpd by 1985 and 16 million by 1990, are still stretching the limits of the possible.

Clearly, all these calculations are of crucial importance to a country such as the United States whose oil imports are projected to rise to something like 12 million bpd by 1985 from the current 8.7 million bpd. (Even the most optimistic industry forecast estimates the 1985 figure at 10 million bpd; nobody believes President Carter's stated target of reducing imports to 6 million bpd by 1985 is credible.) Saudi Arabia is already by far the lead-

ing supplier to the United States, accounting for 16 million bpd or nearly 30 per cent of the latter's oil imports in the first half of 1977, and this dependence is likely to grow.

With 1977 crude oil production of around 9 million bpd topped by the Soviet Union with nearly 11 million bpd and ahead of the 8.3 million bpd of crude (excluding gas liquids) now being produced by the United States—Saudi Arabia rests comfortably at the top of the world's oil-league table in terms of exports and reserves. According to government figures, the kingdom's proved recoverable reserves stand at 151 billion barrels, representing 28 per cent of the total for the non-Communist world and 35 per cent of the OPEC aggregate. (Using a somewhat different measure, Aramco, whose concession areas account for all of Saudi Arabia's oil fields with the exception of around 3 billion barrels in the Saudi-Kuwaiti Neutral Zone,

comes up with figures of 110 billion for proved and 177 billion for probable reserves.) Possible reserves for the Aramco area alone—that is, apart from anything else that may be discovered in the rest of the country where little exploration has been done—are variously put at something like 250 to 300 billion barrels.

Capacity

Aramco's present production and export capacity is rated at somewhere between 11 and 12 million bpd, although actual sustained production has not been held at much over 10 million bpd for any length of time.

The government's current plans apparently envisage raising capacity to something like 14 million bpd by 1985, which represents a substantial scaling-down of an earlier Aramco scheme (not endorsed by the government).

(Continued on Page 7.)

Royal House of Saud—World's Richest, Most Powerful Clan

RIVADAH (IHT).—The House of Saud—which gave its name to Saudi Arabia and tightly controls the world's largest oil-exporting country—is the world's largest family enterprise, making the Rothschild banking octopus or Rockefellers' Standard Oil complex look like small-town enterprises.

The Saudis are the world's richest family. Hundreds of princes of the line are personally multi-millionaires. The family controls and can draw on Saudi Arabia's national income, now approaching \$40 billion.

The Saudis are also the world's most powerful family. Their domain contains the largest known reservoir of crude oil on earth. By speeding up or slowing the flow of petroleum exports, they can push up or down the price of oil affecting the lives of nearly every human being worldwide.

With a sparse population which is mostly backward, Saudi Arabia is a military creampuff. But the answer to "how many divisions do the Saudis have" is

not a derisive giggle: the commander-in-chief, King Khalid Ibn Abdul Aziz Al-Saud, head of the family, has the oil weapon, worth many divisions indeed.

The family has the final say in investment decisions on Saudi cash reserves—the piled up, unexpected surplus income from oil sales. This hoard of dollars, pounds, marks, yen, guilders and francs is approaching \$100 billion. Any shift, based on whim, pique, politics, generosity or sound economic logic, quickly affects the currencies, stock and bond markets, commodity exchanges and interest rates by which all individuals, companies and nations determine their worth.

A Niche

If Saudi Arabia had a niche in the board room for "Our Honored Founder," the statue would be of Abdul Aziz Ibn (son of) Abdulrahman Al- (of the house of) Saud. Abdul Aziz—erroneously known as "Ibn Saud" to a Western world which has never mastered the complicated lineage and desert

Arab protocol which determine Saudi names—was born in 1880, and ruled from 1902 to 1953. He ruled the fortunes of a family which had dramatic ups and downs in 150 years of campaigning for control of the Arabian peninsula.

His great-great-grandfather, Muhammad Ibn Saud, started it all off in the middle of the 18th century. Muhammad, an ambitious bedouin chief, teamed up with a charismatic Muslim reformer, Muhammad Ibn Abdul Wahhab, to gain control of the central Arabian plateau area, called Nejd, with its capital at Riyadh. Muhammad's descendants continued to spread family control and the puritanical "Wahhabi" beliefs, first capturing the holy cities of Mecca and Medina in the western Arabian province of Hejaz, and then consolidating the family state to set up a political-religious administration.

This was the Abdul Aziz style as he captured the eastern province along the Gulf where the oil was later discovered. The Jiluwi branch of the family was given hereditary rights

to the governorship of the eastern province as a reward for loyal service.

Abdul Aziz subsequently also recaptured the Hejaz along the Red Sea, driving the Hashemite family out of Jeddah, Mecca and Medina, north to the realm where King Hussein of Jordan reigns today. He extended his control from the border of Iraq in the north to Yemen and Oman in the south and ended up in 1945 sailing to Egypt on the destroyer USS Murphy with 48 relatives and servants, ten live sheep and a royal tent on the foredeck to meet Franklin D. Roosevelt.

The deluge of oil wealth had started when Abdul Aziz died in 1953. He had chosen as his successor Prince Saud, his second and oldest surviving son of 36 male offspring. Abdul Aziz also chose Prince Saud's successor, decreeing in family circles before he died that the crown prince under Prince Saud should be Faisal, his third son.

King Saud ruled until he was deposed in 1964. King Faisal followed until he was assassinated in 1975. The present King Khalid is Abdul Aziz's fifth son and the crown prince, Fahd, is his eighth son.

The Saudi dynasty's ability to produce commanding national leadership was evident in King Faisal's skillful performance at the helm of state. During the decade when nationalism was on the rise in the Arab world, King Faisal kept his kingdom decidedly out of the fray, then emerged as the architect of a repressive of Arab and Muslim dignity as the wielder of the oil weapon.

Originally viewed as a critic of the United States when later, once he became king, taxed with being an unorthodox American ally, King Faisal consistently championed conservative Islam as an alternative to Nasser's militant pan-Arabism. By the end of his life, King Faisal had raised Saudi Arabia to a new height of Arab prestige, and had set the stage for the kingdom's emergence into super-wealth and influence.

(Continued on Page 8.)

(Continued on Page 9.)

A Few Short Years See Sweeping Transformation

By James E. Akins

James E. Akins was United States Ambassador to Saudi Arabia from 1972 to 1975. He is now a private consultant on energy and Middle Eastern affairs.

WASHINGTON (IHT).—In the few years since 1973 the world role and international image of Saudi Arabia have been transformed more rapidly and completely than those of any other country in history.

Until recently the Kingdom of Saudi Arabia—as large as the United States east of the Mississippi but with a population less than greater Chicago—was known in the West as the desert realm of its powerful eponymous founder, Abdul Aziz Ibn Saud. It was the land of Mecca and Medina, two of Islam's holiest cities, and the goal of all devout Muslims. Since 1950 it has also been an important source of oil, a fact which for two decades was considered only of minor importance in a world which believed itself awash in cheap energy.

During the Middle East war in 1973, Saudi Arabia led the Arab oil embargo, although it considered itself a close friend of the United States, it also considered the Americans' massive military and economic aid to Israel in wartime as a hostile act. With the ensuing shortages, the Organization of Petroleum Exporting Countries (OPEC) saw what the world was prepared to pay for oil and along with its non-Arab members it raised the price of oil permanently.

It has used its growing political influence wisely—first, under the late King Faisal and now under King Khalid, Crown Prince Fahd, Prince Abdullah and the Cabinet.

This Section

This special report was prepared and written by Joseph Fitchett with James E. Akins, Michael Field, G. H. Jansen, Michael Jansen, Bob Lebling, Mary Jo McConahay, Joseph J. Malone, Tom Martelli, Joe Alex Morris Jr., Ian Seymour, J. S. Skinner and Charles F. Snow.

The riyal has a value of 3.53 to the dollar.

U.S. aid in absolute terms and about 30 times larger in per capita terms.

It has used its growing political influence wisely—first, under the late King Faisal and now under King Khalid, Crown Prince Fahd, Prince Abdullah and the Cabinet.

Moderation

Saudi Arabia has mediated disputes between Iraq and Syria and between Algeria and Morocco; it has tried to bring South Yemen back into the Arab fold and has worked to reduce Soviet influence in Somalia. It has been, and still remains, a force for moderation in the Arab-Israeli dispute, a matter of vital importance to the world. Almost equally important to the short-term health of the world's economy has been Saudi Arabia's role in restraining oil prices. Saudi relations with the United States have been close and generally warm.

Apart from chronic disagreements over the U.S. role in the formation and subsequent support of Israel and the acute problems during the October 1973 war, the Saudis, whose foreign policy has been at least as anti-Communist as it has been anti-Zionist, have maintained for years that the real interests of the United States lie in the Arab world. They have also maintained that eventually the United States would understand that unbalanced support of Israel had opened the Arab and even the Muslim world to Communist penetration and accordingly would respond with more "even-handed" policy.

The Saudis are gratified by what they term an unprecedented realism in the current U.S. Middle Eastern policy and they are anxious that it continue. The United States on its side has been pleased by what it sees as a new willingness to recognize Israel (at least de facto) and live in peace with the country. Protests on both sides that policies have not been changed, that they are firm and longstanding, are not to be taken entirely seriously. No previous U.S. president, for example, has talked of Israel returning to its 1967 borders or of the rights of the Palestinians to a homeland. And *deレenda est Iudeo* has stopped being even the implicit basis of Saudi Middle East policy.

Americans themselves are popular in Saudi Arabia. The Saudis like their openness and their honesty. The Aramco parent companies, the construction companies and the U.S. Army Corps of Engineers, all of which have planned and supervised major Saudi projects, have brought to the Saudis an admiration for American technology. When the Five Year Plan was

(Continued on Page 9.)



A prospecting team for Aramco trudges across the Empty Quarter Desert.

Marc Riboud, Magnum



Foreign Aid Policy: A Commitment to Redistribute the Wealth

RIYADH (IHT).—Nobody looking at the oil policy, the aid policy, the aid programs or the foreign policy of Saudi Arabia should ignore the nation's commitment to redistribution of the world's wealth.

The nations of the Third World share an emotional and nationalistic bond, which like the ideal of Arab unity is more spiritual than serviceable but which nevertheless provides one of the basic motivating forces behind their foreign policies.

The Arabs in particular are deeply conscious of their sufferings in the past at the hands of richer and technologically superior nations. They feel strongly that the terms of trade traditionally applied to their own and other developing countries' main export commodities were unfair. Specifically, they resent the West's domination of the manufacturing process, enabling it to set international trade rates at levels which have enriched its own people while keeping the populations of the Third World at near-subsistence levels. Western dominance left the Third World governments with insufficient capital to invest in their own development—to improve the lives of their own people and give them greater economic independence—and in Third World eyes this in turn has prevented the achievement of real political independence.

Inevitable

This may be an emotional and economically unsophisticated way of looking at world trade and development. Nevertheless against this background it was inevitable that the Saudis and the other oil producers, having overthrown the old economic order applied to their own export commodity, should have felt bound to launch big aid programs for their fellow developing countries.

In 1976 the OPEC countries gave 27 per cent of their GNP in aid, a much higher proportion than the industrialized countries, none of whom has ever attained the UN target of 1 per cent. In the same year Saudi Arabia also stood as the world's second largest donor in absolute terms, after the United States.

At the Conference on International Economic Cooperation (the North-South dialogue) the oil producers adopted a policy of trying

to use their own bargaining strength to get the Western nations to give more aid to developing countries.

Yet despite their concern, several criticisms, mainly from Third World countries, have been leveled at the OPEC countries' aid record.

Wrong Type of Aid

First, it is claimed that much of the aid from the OPEC states has been of the wrong type. It has come mainly in the forms of project aid loans tied to specific

development projects or general purpose government-to-government loans made on an ad hoc basis, but not as continuous balance-of-payments support designed to offset the impact of high oil prices on non-oil developing countries.

It is true that Saudi Arabia has contributed to the International Monetary Fund (IMF) recycling facilities and the World Bank. It has also participated in the Opec fund to finance the oil imports of non-oil Arab countries, the Arab-African Oil As-

sistance Committee (administering a small, similar fund for American countries), and in the OPEC fund for developing countries as a whole. But it has been notably unenthusiastic about all of these programs.

The suspicion exists that these shortcomings stem from the fact that there is more glamour attached to project aid, and balance-of-payments support administered to all developing countries on a regular basis could be very expensive.

The oil producers reply that

they fear that balance-of-payments support ends up being used to finance semi-luxury imports. This is partly valid, but it ignores the fact that there are many more economically beneficial imports brought into developing countries than just those associated directly with development projects.

Uneven Distribution

Also, because of the mainly bilateral and ad hoc character of Saudi and other OPEC aid, the

distribution of money among the recipient states has been uneven.

The countries that have received most money have been Arab—particularly the "front line" states involved in the confrontation with Israel. Most of the funds received by Egypt, Syria and Jordan, including all the funds received for military purposes, have come in the form of grants (gifts), but the exact amounts have never been published and the flow has never been regular. There has been some dispute over whether

at the Rabat summit in 1973

Saudi Arabia and the other donors committed themselves to making a series of regular payments or a one-time gift.

After the Arabs, the states that have been given the most in Saudi aid have been non-Arab Muslims. Part of the aid flowing to these countries has come indirectly, through the Islamic Development Bank (IDB), which is based in Jeddah. Saudi Arabia is its major subscriber.

Apart from being owned entirely by Muslim or part-Muslim countries, the bank is Islamic in

the sense that it charges only a service fee on the loans it makes.

It avoids the whole interest formula by concentrating its efforts on making equity investments in industrial projects, intending to sell off its shares once the projects are working profitably.

The influence that Saudi Arabia exerts on Muslim countries through the IDB is difficult to identify precisely—the bank is more a part of the current Islamic revivalism than a commercial institution—but with its direct links to Muslim countries in Africa, Asia and Latin America, Saudi Arabia has exerted powerful pressures in favor of the readoption of strict Muslim social norms and legal principles. Import Saudi successes have been Sudan and Pakistan.

In general Saudi aid is big political—especially in the case of Egypt, Syria and the kingdom's neighbors in southern Arabia and the Horn of Africa, where Saudis are anxious to root out Communist influence.

It applies rather less to the Saudi Development Fund (SDF), kingdom's own project aid, which lends to all parts of developing world at interest varying from 2 to 5 per cent, operates invariably in conjunction with other Arab or non-Arab aid agencies because it does not have the staff to carry its own appraisal work.

But even this institution, not lend to countries with whom Saudi Arabia has bad relations and it will give bigger loans better terms to friendly countries.

Politically Effective

As to whether Saudi aid is really politically effective, there is some doubt. In the short term the kingdom's aid has been extremely influential, helping to boost the kingdom into regional power. The Saudis clearly very pleased about because they have strong political ambitions of the sort. Kuwait, the other major aid-giver, does not.

But in the longer term aid may not be so effective politically. Given the rate at which it is increasing its internal spending, the kingdom could find itself with much less money to give away or lend out and whatever influence it had with former recipients would appeal immediately.

—M.

State Funds Designed to Funnel Capital to Private Sector

By Michael Field

RIYADH (IHT).—In an effort to stimulate the private sector in a country whose revenues from oil sales accrue to the central government, Saudi Arabian government development policy makes extensive use of six special state-owned funds.

These funds which were established or expanded after the oil price boom, are designed to funnel long-term capital to the private sector to complement the state's own direct development spending.

The funds, which lend for industry, property development, "public investment," contractors' equipment, agriculture and social purposes, have committed nearly \$10 billion over the past three years.

Two special features of the Saudi private sector made this approach necessary. First, ordinary commercial banks in the kingdom have very little long-term money at their disposal; depositors prefer to hold their money short-term. Second, in the 25 years before the oil spurt, Saudi Arabia had to spread its oil revenues thinly and it never embarked on social policies designed to enrich its own people (in contrast to Kuwait, for instance). When oil revenues skyrocketed in 1974, the private sector lacked capital to participate in the development plan.

All these funds charge either no interest at all or levy only a 2 per cent service fee. There are huge variations in size among the funds, in the degree of suc-

cess they have achieved and in their modes of operation.

• Saudi Industrial Development Fund: The SIDF was established in 1974 to lend to private industry which in practice means everything outside the hydrocarbons sector and has since been given the additional task of financing part of the expansion of the kingdom's electrical utilities.

Last year it had \$850 million in capital paid up for the first purpose and a separate allocation of \$1.5 billion for the utilities. The fund, which is managed by the Chase Manhattan Bank, will lend up to 50 per cent of the capital requirements of any industry that the government considers desirable for Saudi Arabia. Ideally, these industries should be non-labor intensive and competitive with imports, though the government will give tariff protection to an uncompetitive industry felt to benefit the kingdom. To be eligible for loans, companies must have at least 25 per cent Saudi participation.

By far the largest section of SIDF's lending portfolio is accounted for by building materials industries: cement blocks, aggregates, ready-mixed concrete, clay bricks, steel mesh and aluminum products. Most loans have been for less than \$3 million, with the exception of cement plants. Other large loans have been for steel pipes, phosphate fertilizers and asbestos cement pipes.

The fund does not apply a commercial bank's strict feasibility criteria in deciding whether

to lend to candidate projects, and it lends to many that are admittedly speculative. Given such factors as the high rate of inflation in Saudi Arabia, which may render a project uneconomic between the start of construction and a plant's completion, the fund inevitably risks seeing some clients go bankrupt.

• Public Investment Fund (sometimes wrongly known as the General Investment Fund): The PIF was established in 1971 with a capital of \$200 million to take over the finance ministry's role of financing state enterprises expected to yield a commercial rate of return. In effect this meant leading to private industry and state corporations and encouraging the private sector by taking equity stakes in new ventures that could later be sold to the public. The PIF's promoter (former Finance Prince Muhammed Abdell-Rahman) believed that having a special government agency to do this would help ensure that government money was spent more carefully and with greater regard to obtaining a good rate of return.

The fund has worked out as planned. Its capital, which has been raised to just under \$8 billion, is now almost exhausted, and it has been committed almost entirely to state institutions. Very few state projects have been refused loans, and huge amounts have gone to PetroSaudi, the state petroleum corporation, and Saudi, the national airline. Recently, the fund has become involved in the eastern province electricity grid and in joint Arab ventures, during the 20 months in which

the fund was signing loan agreements, PIF made an average of 600 commitments per week, lending for some 100,000 housing units, of which half are now complete. Given an average of seven people per unit, the units are quite spacious even by Western standards—the means that the fund has already provided homes for 350,000 people.

• Real Estate Development Fund: The REDF began operations in August 1975 with a capital of just under \$4 billion, which by the time its activities were suspended in May last year had been increased to \$6.5 billion. This fund has two categories of operation.

First, it will lend interest-free to individuals who want to build their own homes. Borrowers must own the land on which they wish to build (only in the more fashionable parts of the largest towns have land prices soared totally out of reach of all but the richest Saudis in recent years), but thereafter the fund will lend them up to 70 per cent of construction costs up to a ceiling of 300,000 Saudi riyals, without regard to the size of borrowers' incomes. Repayments are spread over 25 years, after a two-year grace period, with 20 per cent forgiven at the end. For citizens who are too poor to obtain loans on even these generous terms, the ministry of housing has its own building programs designed to provide a minimum standard of housing for all Saudis.

Second, the fund lends up to half the cost of building commercial properties, mostly apartment blocks containing over 50 housing units each, up to a construction-cost ceiling of \$25 million. Loans must be repaid in five years.

During the 20 months in which

the fund was signing loan agreements, REDF made an average of 600 commitments per week, lending for some 100,000 housing units, of which half are now complete. Given an average of seven people per unit, the units are quite spacious even by Western standards—the means that the fund has already provided homes for 350,000 people.

• Agricultural Fund: Founded 15 years ago, the bank's capital rose to \$225 million by the last financial year. In addition to giving loans to individuals, companies and co-operatives for agricultural improvement schemes and new projects, the bank helps administer the subsidies that the government makes available for purchases of machinery, fertilizers and fodder. The rates of per cent vary, going up to 50 per cent.

• Credit Bank: This very small institution was established in 1971 for the purpose of lending to relatively poor Saudi citizens with incomes not exceeding \$5,000 a year—for social purposes. Most loans are given for marriage and medical treatment, with other credits going to finance minor capital purchases by craftsmen. The bank's total resources, made up mainly of government deposits, come to only some tens of millions of dollars.

• Contractors' Fund: Surprisingly, this fund has not been very active, even though it has been established since 1974. With a capital now increased to \$70 million, the fund's purpose is to lend to Saudi individuals and companies to enable them to buy

more modern tools and equipment.

Recipient contracting companies may have foreign shareholders, but the fund will not lend to joint venture companies or to wholly foreign concerns. Loans may cover up to 75 per cent of the equipment or materials needed by the contractor, or 20 per cent of the value of the contract providing that it does not exceed \$300 million.

Lightly Controlled

The three big funds—PIF, SIDF and REDF—have committed the better part of the \$10-billion total fund program.

The operations of the six funds have been the source of an outpouring of funds from the government into the private sector that has been only lightly controlled. One effect has been to enrich the private sector. And given that many individual borrowers from the SIDF and the REDF were not exactly short of money themselves, in many instances the funds must simply have fueled foreign investment, land speculation, or the purchase of inventory.

Similarly, money from the PIF has sometimes been lent to private sector projects not because the promoters needed additional capital, but because they believed that having state capital in their projects would give them a stronger case when they wanted to persuade the government to make its purchases from their plant, to subsidize them, or grant them tariff protection.



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Economic Future Is Dependent on Government Domestic Spending

By J.S. Skinner

MEDDIAH GHTI—Saudi Arabia acts as if it intends to be the wealthiest country in the world for a very, very long time. Everybody knows that Saudi Arabia is rich, but few people seem to realize how long the wealth will last. For instance, big mineral potential is indicated by the innovative current prospecting; Saudi officials expect the kingdom will become in the next years a large world exporter of copper, phosphates, gold and even uranium.

The magnitude of Saudi Arabia's income is not the only unusual feature of the economy. It accounts for 98.8 per cent of total exports, and the full benefit of oil earnings accrues to the Saudi government. So the government is the arbiter to an extraordinary degree of the money's flow inside the kingdom. The nightmare of all oil-producing countries is that in the process of converting their oil reserves into "open air" investments above ground, their wealth will somehow slip through their fingers and disappear so that they are left with nothing but some paper money. Too rapid spending can cause domestic inflation, which is a problem compounded by regional world inflation which in turn adds to the local problem and eats away at the value of foreign imports and investments. In addition, the income situation simultaneously acts as an incentive for immediate spending.

Flood of Money

When the flood of money—the "flood of money," one writer called it—burst on Saudi Arabia in 1974, the kingdom prepared an ambitious five-year development plan that budgeted for expenditure of \$42 billion, more than \$17,500 per capita.

This ambitious effort created considerable tension within the overment as well as enormous physical and practical problems in realizing the targets. The younger men were in a hurry to transform the country. Others took a more traditional approach and readied the revolutionary effects that might be expected in the minds of a population being pulled out of the ancient subsistence life-style into the modern world.

Apart from the social and moral problems inherent in such a shock program, development led very quickly to serious practical economic problems in the form of domestic inflation. The official rate of inflation in 1976 was given as 32 per cent, although it was probably considerably more. It was enough to make the government realize that it was trying to go too fast and that it was time to pull on the reins.

Prices were rising because it was physically impossible to meet the demand generated by the government for the supply of goods and services. Ports were hopelessly congested, labor was short, land was being hoarded and speculators were seizing the opportunity to corner markets in all kinds of basic commodities. The Saudi government realized that its vast resources were being plundered by its own people and that it was losing control of the economy. This called for strong measures.

The reaction of the Saudi government to the situation was impressive and reveals some important aspects of the Saudi character. The government went straight to the root of the problem and tackled the bottlenecks that were creating the shortages that caused prices to rise. By taking tough measures, which were rigorously imposed, they cleared the ports in an amazingly short time. The flood of goods from the ports onto the market brought prices down as merchants found themselves overstocked and short of cash.

To protect those on fixed incomes from the effects of inflation, the government cut taxes and duties, subsidized basic food-stuffs and set up a food corporation to ensure steady supplies, which would frustrate speculative hoarders.

Companies seeking the big development contracts saw their bids thrown back at them, and many contracts were trimmed after they were awarded, as an attempt to cool the economy.

Housing was the sector most dramatically hit by inflation. Only Saudis are allowed to own land, so property owners were able to charge what they liked to foreign firms, who in turn passed on the cost in their contracts to the government. New regulations took the pressure off the demand by stipulating that foreign com-

panies over a certain size should build their own accommodations. The government appropriated a sum of \$2 billion in the 1977 budget to start on a \$15-billion program to build 50,000 housing units. The heat came off the real estate market. Prices stabilized, and even rents of some lower-

quality buildings started to come down.

The market in undeveloped land was less affected, although prices are tending to stabilize at the very high levels that they reached during the past three years. Land is an attractive alternative to bank deposits for the private

Saudi citizen and dealing in virgin land has become something of a private Saudi game of Monopoly for grown-ups using real money in astronomical amounts. Undeveloped land plays an important part, too, in the distribution of wealth, since the government pays generous compensation for

private land it needs and princes and sheiks often give land away to their relatives and retainers.

On the financial front, the Saudi Arabian Monetary Authority (SAMA) kept its severe restrictions on the commercial banks so that the ratio of commercial bank credits to private

sector imports actually declined in 1976, although currency in circulation plus all private sector deposits at commercial banks increased by 87 per cent and total government expenditure rose by 121 per cent. The proportion of bank cash and deposits with SAMA was maintained at the high level of 30 per cent of balance sheet total.

Overall, these measures have been remarkably successful. A recent study by foreign consultants for the Saudi government is reported to have concluded that there is no need now to cut back on plan targets because of lack of capacity. They apparently consider that the construction industry—which has come under the heaviest pressure—is working 20 per cent below capacity and can expand to meet the demand projected in the plan.

They urged the government to spend more on public-sector construction projects and to lend more to the private sector.

Private Sector

The massive transfer of funds from the government to the private sector is fundamental to the Saudi policy of developing a thriving private enterprise economy that is not based wholly on oil.

In their attempt to cast themselves in the role of the Arab world's "honest broker," the Saudis stress mediation and compromise. Saudi Arabia's concept of Arab unity differs from the radical Nasserite, Ba'athist or Qadafi approach espousing alignments as a prelude to permanent merger of governments and states. Instead, the Saudis seek consensus and cooperation among independent Arab states and leaders.

In their thinking about Israel, Saudi ideologues have long since abandoned the old demonology which portrayed Zionist Israel and the Communist Soviet Union as the "Jew-like faces of the same millennial Jewish conspiracy." Now, the Saudis emphasize the more reasonable point that the unsettled Israeli conflict is benefiting the rise of radicalism in the Arab World.

This foreign policy approach enhances the strongly personal style of Saudi diplomacy, which is managed by the handful of powerful royalists; technocrats, led by the sophisticated Oil Minister Sheikh Ahmed Zaki Yamani, are increasingly replacing foreign technicians, but they remain firmly "executors," not policymakers.

As more trained Saudis join the foreign service, the kingdom will pursue more actively a whole range of interests currently left in abeyance; for instance, the battle over anti-boycott rulings in the United States—which could have compromised the Saudis' crucial modernization plan—large-

With development and diversification well under way and inflation under control, the domestic economy can be expected to absorb larger investments each year. The contribution of the non-oil private sector to the GDP is growing fast—by 41 per cent in 1975 and by 48 per cent in 1976.

The large gap between government revenue and expenditure—\$7.5 billion in 1976—does not seem likely to narrow quickly.

Responsibility

SAMA's foreign investment policy is very conservative, and investments once made are seldom changed. The unsettling effects on world money markets if funds of this size were rapidly shifted about would seriously prejudice the present smooth and continuous placing of funds. Realizing how politically sensitive foreign investment can be, SAMA does not buy real estate overseas nor does it purchase more than 5 per cent of the voting stock of any foreign company. As a result, it claims that the return it gets is about 8 per cent on average as compared with 10 to 12 per cent on Kuwait funds. This is typical of the Saudi sense of responsibility in handling its enormous funds and its awareness of the need for a long-term approach.

The size of its revenue and overseas investments is giving the Saudis an increasingly vital and significant place in the world economy, despite the relative smallness of its own population.

For example, the proposed Common Fund, which is to be set up to finance United Nations' Integrated Program for Commodities, is intended to have an ultimate capital of \$8 billion of which \$4 billion will be borrowed internationally. It is well within Saudi Arabia's financial scope to facilitate the financing of what is probably the single most important component of the new international economic order.

Saudi links with the United States together with the government's belief in individual enterprise are an indication that the influence of the nation's leader on world affairs will be a conservative one, aimed at enhancing international financial stability in their own interest.

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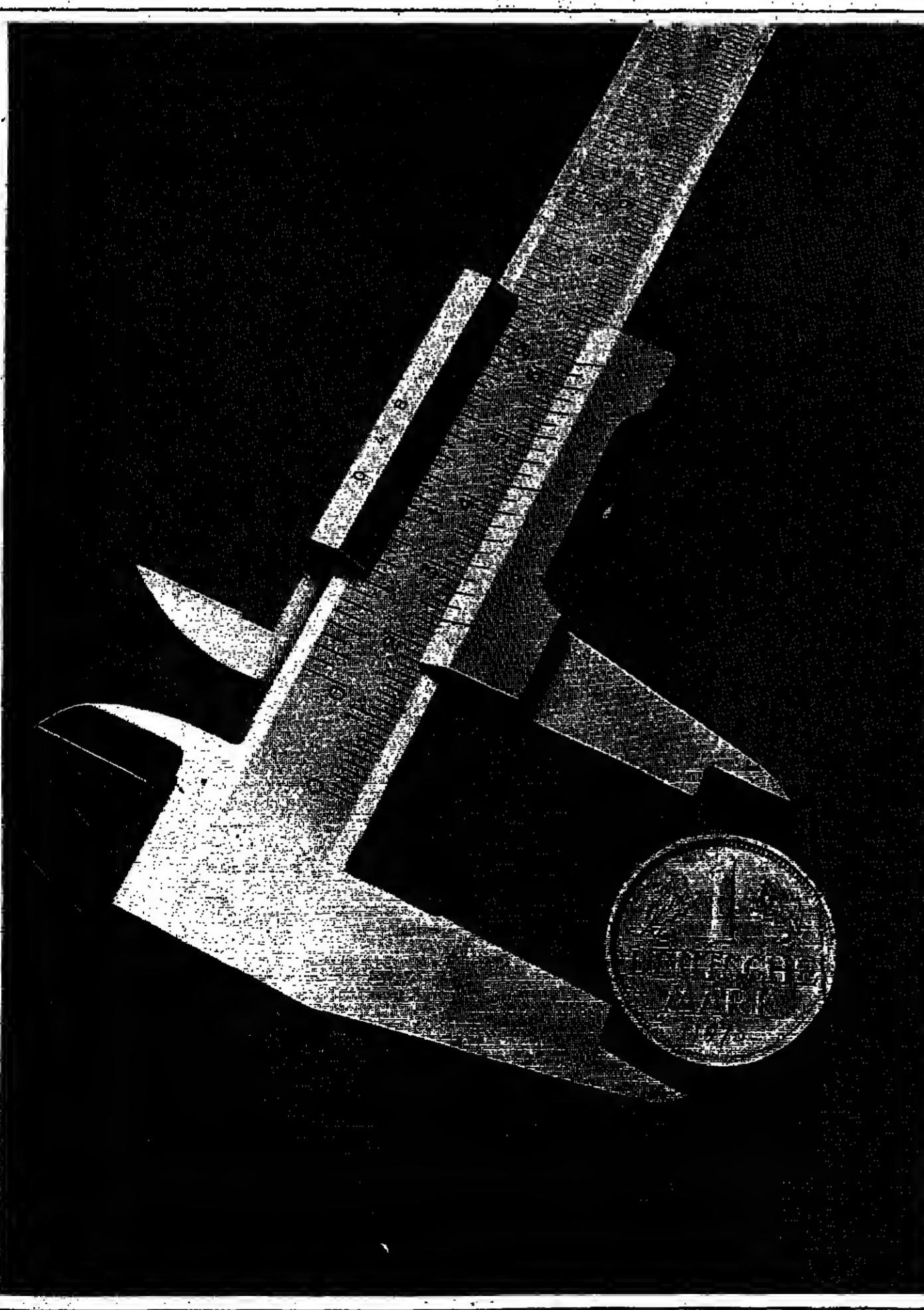
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Saudi Students Prepare For Technological Independence



A young Saudi from the General Directorate of Meteorology receives instruction in communications techniques. He is just one of many Saudi students already benefiting from his government's far-sighted policy of giving high priority to technical education.

One of the published well-known aims of the Saudi Arabian government's five year plan (1976-1980) is to double the number of schools and the number of students receiving free education. In addition facilities for college students, now numbering some 14,500, will be increased to cater for nearly 30,000 under-taking higher education. This has been the case for at least twenty years, and students winning a scholarship to an overseas university has virtually no expenses paid.

The ultimate objective of the government's enlightened approach to education can be seen as a desire to provide, from within Saudi Arabia, adequate technical manpower resources for the country's continued development.

By its very nature, however, the education programme is recognised as a long term strategy. In the meantime to speed the technology transfer to Saudi nationals, a number of government administrations have already organised the provision of suitable degree technical courses covering the range of subjects and specialised skills needed within particular departments. Very often these training programmes are managed in conjunction with those overseas companies already under contract to give the temporary assistance needed for the de-

velopment of essential technical services.

Typical of this sort of technical development programme is one being masterminded by the Saudi Arabian Directorate of Meteorology. In England 230 young Saudis have already completed three years of intensive language training as pre-liminary exercise prior to their starting technical training.

In October 1977, by contractual arrangement with International Aerodio Limited (IAL), the U.K.-based aviation technical services and communications Group, the students moved on to study Electronics, Radar and Communications Engineering at Ballybrook House, IAL's private training College in the West of England.

During the running period of IAL's present five year technical services contract with the Met Directorate, the students about to commence training at Ballybrook House will qualify as engineers and technicians. The Directorate's long term technical systems development plans are the more backed by a fully programmed training scheme.

The scheme will ensure that in the not too distant future qualified Saudi nationals will be available to operate and maintain the advanced technical systems at present being implemented.

JEDDAH (IHT).—Defending the world's biggest pool of oil, Saudi Arabia has embarked on an expensive crash program to modernise its armed forces. But even spending and training as fast as possible, Saudi Arabia can expect to enter the 1980s with comparatively small military machine with only defensive weapons of intentions, military observers here say.

In Saudi defense planning, military power often counts for less than political considerations: the need for internal security against a coup; development of military strength credible enough to dissuade fellow Arabs' criticism and to delay an attacker; assignment of supply sources so as to win over other countries as firm allies.

Ultimately, Saudi Arabia relies heavily in the military sphere on its special relationship with the United States. In turn, the United States—through its military mission, 10,000 civilians here on defense contracts and big arms sales—is more deeply and directly involved in Saudi Arabia's forces than in any other foreign army except perhaps Iran.

The kingdom is a lucrative market for American armaments. After Iran and Israel, Saudi Arabia is the largest purchaser of U.S. military equipment. Many Saudi military purchases actually involve imports like airports and harbors rather than deadly "end items." The arms purchases, the bulk of which go to the United States—ran to \$7.5 million last year (a quarter of the national budget)—of which U.S. suppliers got only \$2 billion compared to \$5.8 billion the previous year.

In the longer term, Saudi Arabia must ponder the balance of power with Iraq, Iran and even neighboring North Yemen. Today Iraq and North Yemen are allies of this kingdom, but Saudis worry about Iraq "after the Shah."

Like all governments, however, Saudi Arabia's leaders also want to forestall internal subversion—whether sabotage in the oil fields or a violent bid for power. Ironically, the single documented case of conspiracy here was centered in the air force a decade ago, and Saudi leaders have seen several Arab monarchs overthrown by armed forces. Although the Saudi royal family possesses a unique legitimacy in the Arab World, inherent caution has produced a major structural feature of the Saudi military establishment: the division of the country's armed strength into two completely separate forces, the regular armed services and the National Guard, a tribally-based, paramilitary force.

The two military establishments complement each other, but also counterbalance one another in any political struggle. Both the army and the National Guard also contain special sections assigned to guard against possible military insurrections.

The dominant armed force in Saudi Arabia is the Royal Saudi Army—established at 35,000 men

as good as the men who are

using it, and Saudi Arabia is a long way from having a modern army. Most analysts believe that Saudi Arabia wants modern weapons and an army primarily for political credibility, not because the kingdom imagines it can ever dispense with the help of more advanced Arab allies and ultimately the United States.

Saudi Arabia's growing importance and its developing nationalism have made it increasingly conscious of potential enemies. The nation's planners worry about three distinct possibilities. In the immediate present, Israel and the People's Democratic Republic of Yemen are a threat. The scenario of a possible Israeli air raid on the oil fields dominated by most Saudi oilfields, but the military would defend it, rather resignedly. They can do more about South Yemen, their radical southern neighbor. When tension arose there early this year, Saudi troops moved nearer the border in a show of strength.

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Banks Are Expanding to Keep Up the Pace of Change

JEDDAH (IHT)—The man at the head of the line in Ottawa bank does not want his funds to be counted. He wishes to have his money weighed because he wants it in coins, not in paper.

While some Saudi clients are still distrustful of currency notes—paper money was only introduced here a generation ago in the form of printed "pigions" receipts for the foreign currencies they brought on their journeys to Mecca—the wash of money through this country is making more and more Saudis into the kind of customer which any bank would want.

Commercial banks are expanding frenetically to keep up with the pace of change. Meanwhile the Saudi Arabian Monetary Agency (SAMA), which is the central bank, regulates the monetary sector while simultaneously serving as the investment authority assigned to manage Saudi Arabia's reserves, now second in the world only to West Germany's. It is also to manage the bulk of external assets estimated at \$75 million. Because of the limited absorptive capacity of this economy, Saudi private investors also are increasingly anxious exploring the opportunities for setting up Saudi-owned banks abroad.

In Saudi Arabia, commercial banking often involves slightly special arrangements: for instance, the Koranic rule against interest means that instead of interest, banks here apply a fee schedule, charging borrowers and rewarding depositors—at least those who want interest. Some Saudi depositors do not

want interest and simply leave their funds at the bank's disposal for safekeeping.

While profit figures are closely held and foreign banks are not obliged to disclose details of their activities, the 12 commercial banks here have all the business they can handle. Citibank in Riyadh (the only Western-owned bank allowed to operate in the capital) is reliably said to earn a substantial part of the American banking's global profit officially admitted at 1 per cent, probably considerably more.

The top commercial banks here include the two wholly Saudi-owned institutions, which are the National Commercial Bank and the fast-growing Riyadh Bank, and two partly foreign-owned banks, the Bank al-Saudil-Holund (formerly the Algemeene Bank Nederland), which opened here in 1926 as the Netherlands Trading Society, and Bank al-Franc (ex-Banque de l'Indochine et de Suez), which combines French and Saudi interests and is particularly well placed in the eastern province.

Other foreign banks are the British Bank of the Middle East, Citibank, Banque du Liban et d'Outre Mer, Arab Bank, Banque du Cairo (the only other foreign bank permitted in Riyadh), Bank Mellat Iran, United Bank, and Bank al-Jazira.

The two Saudi banks have the most branch offices (56) and by far the broadest deposit base. But the foreign banks have better access to international expertise. National Commercial Bank, for instance, is reappraising its links

with First Boston Corp., its US adviser.

The latest special adjustment for banks operating in the kingdom is a radical one—a requirement by next May to "Saudify" by selling off at least 60 per cent ownership to Saudi shareholders. Although Citibank has appeared reluctant to comply with the one-year deadline, other banks seem resigned to the inevitable.

The Saudi authorities' motive for the new law is clear. Banks have become a highly profitable sector, and it is government policy to move Saudi into any proven enterprise, both to share the profits and to acquire the expertise. For the banks, the change may bring some advantages in the form of fresh capital injections to make the necessary expansion as well as permits to open more branches. (At present banks are not allowed to have multiple branches in the same city.)

Expansion is essential in order to keep up with the hectic tempo of business. The money supply has expanded by 40 per cent a year since 1974. Lending for real estate acquisition and short-term financing to service the import boom is a staple of banking in this economy. The banks are scrambling to find staff and space to cope with the new business levels.

Manpower problems and the shortage of expertise are a serious bottleneck, but not likely a permanent one.

Probably the most customer-oriented banking facility in the kingdom is the money changer, Abdul Aziz Rajhi, born a nomad

and today heading an extraordinary financial empire estimated to be worth several hundred million dollars. Originally set up to facilitate pilgrim transactions, his informal banking services, used even by the royal family, are stoutly kept from becoming a bank so as to avoid failing under the restrictions applied to proper banks by SAMA.

As the regulatory authority, SAMA keeps commercial banks on a short rein. For instance, it recently allowed the establishment of the Saudi Investment Banking Corp. (a merchant bank owned by Saudis and the foreign banks—Chase Manhattan, Schröder Wagstaff, the Industrial Bank of Japan, and Commerzbank), both to help provide some medium and long-term capital lending (presently hard to raise in Saudi Arabia) and to attract long-term deposits designed to break the traditional Saudi pattern of staying liquid. However, when the new institution installed computers and other customer facilities, the government intervened to remind its managers that it was a merchant investment bank and not a commercial bank—and obliged the manager to burn the newly printed checkbooks. The bank apparently overestimated the degree of flexibility in SAMA's interpretation of its charter.

Under SAMA's generally conservative rules, banks in Saudi Arabia must conform to strict, narrow regulations about ratios of deposits, liabilities and reserves. This set-up has created temporary shortages of capital for expansion, but bank assets today are believed to have multiplied nearly five times since 1974.

ago of the Saudi International Bank—a full-fledged merchant bank in London owned 50 per cent by SAMA, 5 per cent by Saudi banks and the rest by leading Western and Japanese banks. The most important non-Saudi partner is Morgan Guaranty Trust Co., which also provides the management. Still finding its feet, Saudi International Bank, if it proves successful, should become an increasingly preferred vehicle for SAMA placements.

As the other enormous responsibility of SAMA is to manage most of Saudi Arabia's foreign reserves, which Morgan Guaranty Trust estimates at \$77 billion—double the officially-admitted figure.

Strained in secrecy, the disposition of these funds abroad is managed by SAMA's small investment management team advised by resident specialists from Barings Brothers and White Weld.

Amid considerable controversy of late about the placement and magnitude of Saudi surpluses, it seems certain that the bulk of it—reportedly \$25 billion—goes into long-term, fixed-interest U.S. Treasury bonds and bills. Saudi officials like Finance Minister Muhammad Ali Abdul Khalil have vehemently denied the existence of any past tying down Saudi Arabia to any disposition of its surpluses. A current trend seems to be for Saudi Arabia to move into medium-term securities instead of holding its assets in short-term paper.

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—J.F.

...On Report and Mutual Respect

(Continued from preceding page.)

Guards and air defense artillery were another matter.

The result was a two-way cultural shock. SANG had adjusted to British military for reasons of convenience; readers of Gibbo Pasha's books—or students of the "Law of Armed Conflict syndrome"—could easily understand.

Vinnell was a 7:00 a.m.-to-5:00 p.m. operation, with field men in uniform, organizational charts, and all the whole Pentagon-spawned apparatus transposed to bureaucratic warfare. Vinnell's bedrock guardian was a former colonel for whom a seven-day leave of absence could include two weeks of traveling with his tribe to new grazing grounds and much unaccounted-for time in transit.

Fortunately there were and are Pakistani ex-officers and sergeant-majors, and veterans of Ghubb's Arab Legion standing between Vinnell's check-lists and bedouin tradition. Instruction is in Arabic, so most Vinnell contract personnel are veterans of Egyptian, Sudanese or Jordanian service.

Remarkably enough, the system works. There is mutual respect and good rapport between all echelons of SANG, from Prince Abdullah and his shiekhly commanders and the Vinnell group down to the privates. The modern headquarters and training

facilities near Riyadh are indicative of success in the modernization of what is now a 30,000-man force. It will not give Israeli strategists any sleepless nights, but that was never the objective. SANG will respond with spirit and effect if the regime is threatened, and it will support the army if something goes wrong in the cities or along the desert frontiers.

If no major hostilities intervene, SANG will be as relaxed as its brothers in the army, happy in its relationships with its expatriate tutors. As for Vinnell and the American balance of payments, what could be better?

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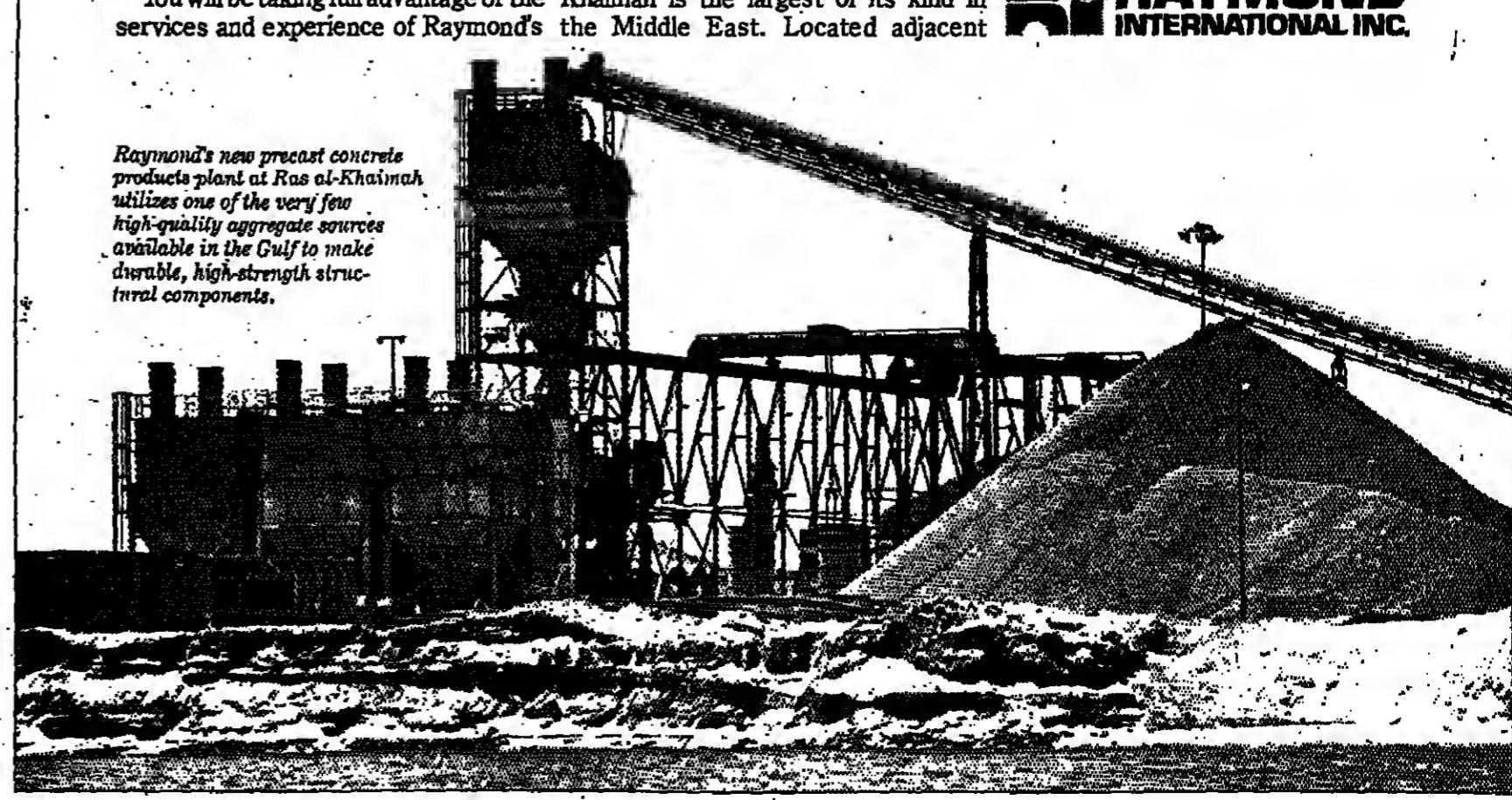
the Middle East. Located adjacent

to a quarry of high-quality aggregate, this plant produces top-quality concrete products including prestressed concrete cylinder piles, electric power poles, as well as major structural elements.

Today this new plant is supplying concrete cylinder piles, caps and deck girders for a Raymond-designed LPG loading trestle project at Ju'Aymali, Saudi Arabia.

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Dream of Giant Petrochemical Plants Slowed by Problems

By Charles F. Snow

Riyadh (IHT).—The dream is enticing. Capital-intensive giant petrochemical plants will process natural gas, previously flared for lack of a useful outlet, into valuable products for a hungry world market.

But some predictions warn that the dream could turn into a nightmare in which these plants would become high-cost competitors in a world awash with petrochemicals. Ultimately, the plants could stand as underused reminders of a gigantic miscalculation.

Saudi Arabia nonetheless appears determined to make petrochemicals a giant first step in its bid for industrialization. Petrochemical projects are the core of the two giant new industrial areas, Jubail and Yanbu, and the present investment target (able for expansion) exceeds \$10 billion for construction of four giant ethylene-based petrochemical complexes.

The hour of decision cannot be indefinitely delayed because the enormous (and enormously expensive) gas-gathering system—the backbone of this country's industrialization—is becoming, somewhat belatedly, a reality.

Saturation

Alarm bells are ringing in the oil industry. New petrochemical producers in the Middle East would be entering the market at a moment of saturation.

Industry spokesmen have weighed in. The president of Shell Chemicals U.K. noted rather convincingly that "possession of a local petrochemical industry seems to have acquired the status once reserved for a national airline."

Equally blunt, Saudi Industry Minister Dr. Ghazi Al-Gosaib told a Bahrain audience last month that Gulf oil-exporting countries are determined to set up their own petrochemical industries in spite of threats of a possible trade war with the industrialized states. Admitting that projects costs will be 30 per cent higher than in industrialized countries (other estimates put the figure as high as 50 per cent), he warned that OPEC countries are determined to make a place for themselves in the market.

Perhaps as a precaution, Saudi planners are determined to see that in any future petrochemical projects the major foreign companies will be involved, not just as contractors or consultants, but as partners sharing the risks and opening up world markets.

The Saudi Arabian Basic Industries Corp. (Sabic)—which presides over the development of state-financed major industry—is discussing 50-50 joint ventures in petrochemicals with four major U.S. oil and petrochemical companies. All these projects are based on ethylene, a gas which is a major starting-point for a series of petrochemical derivatives beginning with plastics and leading to pharmaceuticals.

The furthest advanced is a joint venture with Mobil for an ethane-based complex in Yanbu. Three other U.S. companies—Exxon, Dow and U.S. Shell—have started feasibility studies on big ethylene-based petrochemical complexes for the Jubail industrial area.

In Jubail, the three other American companies are studying a broad product mix from three ethylene-based plants. A fourth possibility for Jubail is the onagain-off-again project with Mitsubishi. After planning for two years to participate in an export refinery and petrochemical complex at Jubail, Mitsubishi was reported in 1976 to want a three-year postponement because it forecast losses of \$40 million annually due to escalating costs (up from \$350 million to \$1.5 billion) and sluggish world demand.

Apparently after intervention by the Japanese government's Overseas Economic Cooperation Fund,

the project was revived last year, but the feasibility studies have yet to be completed.

A second sees, under active consideration, is production of chemicals-grade methanol used for making building materials, glues, solvents and anti-freeze. Sabic is negotiating with a con-

sortium of companies including W.R. Grace, Mitsubishi Methanol and C. Itoh of Japan, and with another group comprising Celanese Chemical and Texas Eastern.

Chemical fertilizers have been discussed, and the most advanced are a urea scheme to be carried out in association with Britain's ICI and an ammonia urea joint venture with Taiwan Fertilizer, which Sabic recently cleared for rapid action.

At the same time, however,

both the Saudis and their potential foreign partners are taking a very close look at petrochemical proposals before coming to any hard decisions.

An initial bitter experience occurred during Saudi Arabia's only venture so far into petrochemical production.

The Saudi Arabian Fertilizer Co. (Safco) was formed in 1966 as a joint venture between Petromin (51 per cent) and private Saudi investors (49 per cent) to

produce urea. Occidental Petroleum was signed up to provide technical services against 10 per cent of the company's "surplus income" and to market the output of 5 per cent commission. The Damman plant began test production in 1970, but immediately ran into problems: Corrosion (caused by an unexpected increase in the salt content of the water used in the cooling system) resulted in severe restrictions on production, which is

only now reaching its planned 300,000-ton capacity.

At the same time, world prices for urea slumped from \$95 a ton to \$48 a ton—despite a leading U.S. bank's confident forecast that the price would never fall below \$62. Safco was selling below cost, and it was not until 1974 that it made a profit for the first time.

Safco refused to pay Occidental \$2.5 million (10 per cent of its initial profits), and Occidental went to arbitration. Petromin and Safco counter-claimed \$160 million for once-and-future losses due to the plant's failure to reach its specified capacity. Eventually,

the dispute was settled late last year with payment of \$7.5 million to Occidental and termination of its rights under the management and marketing agreements.

Against this background, the Saudis are proceeding cautiously as they venture into an industry subject to cyclical vicissitudes and involving the establishment of high-technology operations in an underdeveloped country.

To attract foreign partners whose participation is vital in managing the projects and above all, in marketing their output, the Saudis are offering a variety of inducements ranging from the conventional (tax holidays, nominal rents, cut-rate electricity and water) to the unconventional, notably the possibility of guaranteed long-term access to up to 250,000 barrels a day of Saudi crude. Countries are inclined to see this crude supply as a more attractive incentive than any likely return on capital.

Saudi Arabia's inherent economic handicaps as a petrochemical manufacturer can be offset or at least disguised by manipulating the costs of capital and feedstock but ultimately the nation's production will have to face the competition of world markets.

The Markets

The domestic market for Saudi petrochemicals is so small in relation to the scale of the proposed plants as to be non-existent. Where markets exist in the Middle East, notably in Iran and Iraq, governments have their own plants for petrochemicals. To help the new chairman, James Keltner, some new adjutant positions have been created and then, unusually for Aramco, filled from the parent companies.

It is clear that both Saudi Arabia and the U.S. parent companies intend to let nothing interfere with their continued close cooperation.

For the United States, Aramco is a multi-billion-dollar nexus with political overtones as well as economic benefits. Aramco actually promotes a "Buy American" policy on its own projects as well as throughout Saudi Arabia. Company spokesman say that for each \$1 billion that goes to American contractors 60,000 jobs are generated in the United States. For Saudi Arabia, Aramco tries to "strengthen American ties and associate ourselves with the aspirations of the Saudi people."

First Loyalty

The U.S. parent companies have no interest in gouging the Saudi government on Aramco's major development projects. On the contrary, they want to maintain good relations with King Khalid and his princes to assure themselves of continuing oil supplies in coming decades.

Company policies have always been based on the principle that Aramco's first loyalty is to Saudi Arabia. This came out during the 1973 Arab-Israel war, when Saudi oil was denied the U.S. Sixth Fleet, and later when the Saudis joined an Arab oil embargo directed against the United States and the Netherlands. In both cases, Aramco as the operating company did as the Saudis directed.

The decisions, of course, had passed to the various governments via the Organization of Petroleum Exporting Countries (OPEC). But there is little public awareness, these days, that the enormous price increases provided a bonanza not just for the producing countries, but for the oil companies as well.

Such factors have helped to solidify the close relationship of Aramco, its old parent companies and the Saudi government. They have led Aramco into a new and developing role in Saudi Arabia where the potential for expansion seems limitless.

Spokesmen for the petrochemical industry have reacted differently. Some urge the potential new producers to build up the domestic markets by importing intermediate products and manufacturing end-products before embarking on the production of petrochemicals themselves. Other flatly warn that Western European governments may erect tariff barriers to protect their petrochemical industries from being submerged under a flood of cheap imports produced with hidden subsidies.

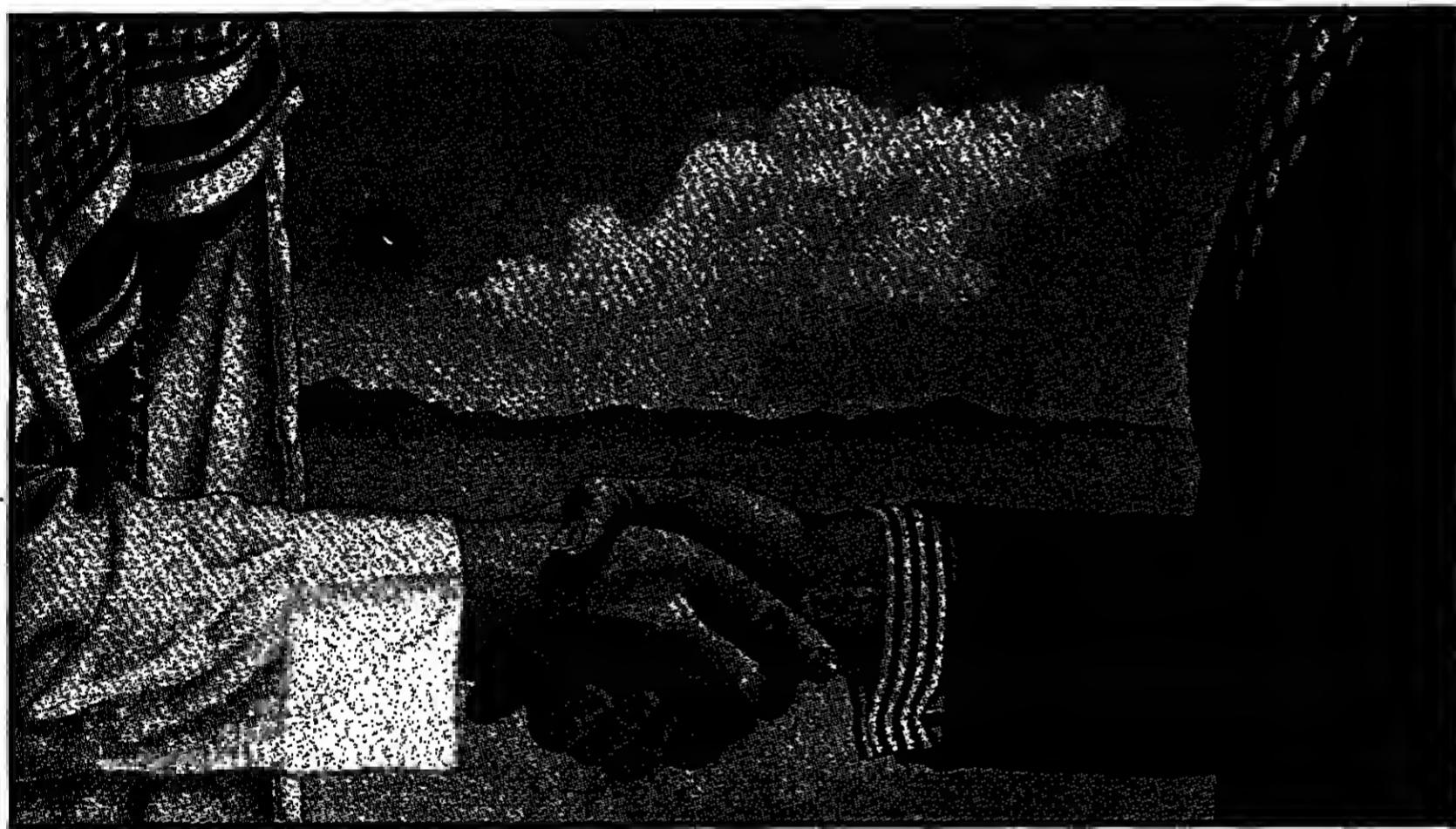
OPEC countries return the

they would acquire only 7 per cent of projected world demand if they built ten ethylene plants with outputs of 450,000 tons a year.

The OPEC countries are determined to derive the maximum possible value from their natural resources and a general feeling is crystallizing among them that they are being denied free access to the developed countries' markets.

OPEC Secretary-General Mohammed Ali Jadaid recently issued a warning that OPEC countries are tired of hearing about the problems of surplus petrochemical capacity while no plants are continually being constructed in the developed countries. As an echo to OPEC's previous success over crude oil prices, he added: "You must say in seriousness that unless great progress is made in redressing the imbalance, our member countries will have no recourse but adopt collective strategies to achieve their aims." Recent Saudi Arabian policy statements lent weight to this declaration.

What makes two into one?



The Arab world is the richer for a new and powerful bank, the Albank Alsaudi Alhollandi. As the name suggests the Saudis and the Dutch have joined forces to create a new bank. This marriage of Dutch international banking expertise and Arab wisdom and influence promises to bring many benefits to Saudi Arabia.

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West Is Relying on Nation's Willingness to Expand Oil Output

(Continued from Page 1)
to reach 14 million bpd by 1981 and 16 million bpd by 1983. However, the mere installation of this level of output capacity does not necessarily mean that Saudi plan to use it to the maximum. In fact, the possession of spare capacity, even if it is not used, adds to Saudi Arabia's political and economic weight within OPEC and internationally. The degree of production flexibility enjoyed by the kingdom is unique among oil-exporting countries. It has the capacity to raise output by two or four million bpd while the same time having the financial strength to be able, theoretically at least, to reduce it by similar amount without suffering economic ill effects. On other hand, it can be argued at the possession of such spare capacity will place the Saudis under tremendous pressure to use it and when the world really needs the oil.

As of Jan. 1, 1978, Saudi Arabia imposed its annual average output ceiling for Aramco of 8.5 million bpd which had been temporarily relaxed during 1977 in the aftermath of the inter-OPEC pricing dispute. This ceiling is likely to remain unchanged for least the next two years, during which time it should cause real discomfort to the world market. At the end of 1979, according to the Saudi oil minister, Sheikh Ahmed Zaki Yamani, government will take another look at the ceiling and might allow a modest increase if market conditions so require. But, he said in a recent interview, "there will be no radical jump." Subsequent increases will be levels "much less than those mentioned in the United States."

Technically, then, higher production should go hand in hand with increases in proved recoverable reserves. They can be achieved in two ways: new discoveries as a result of exploration drilling, and the improvement of the recovery factor for oil in place in the reservoirs through so-called "secondary recovery" pressure maintenance projects involving the injection of water and/or gas into the reservoirs.

On the exploration side, hardly a year goes by without a significant net addition to proved reserves; more oil is still being found than is being taken out. Aramco continues to discover new oil fields at a rate of about three a year. The current tally of potentially commercial fields is 37, of which only 15 are presently producing. However, the fields are getting smaller, and nobody expects to come across anything like another Ghawar, that is, one of 265 kilometers long and 20 kilometers wide with 80 billion barrels of original recoverable reserves, which is rated as the world's largest single field.

As far as secondary recovery is concerned, work is under way on the largest-ever water-injection scheme, which will eventually involve a virtual barrel-for-barrel replacement of extracted oil by injected water.

Production Ceiling

The present limit of 8.5 million bpd on Saudi production grew almost by accident out of the confused situation after the ending of the Arab oil cutback and embargo measured in 1974. This had been the level at which Saudi output was running before the cutback; afterwards it solidified into a government-stipulated maximum. In any case, from 1974 to 1976 it remained purely theoretical due to the stagnation in world oil demand, deflated as it was by the recession and the fourfold price increase of 1973-74. In 1977 it was lifted in an effort to curb the enthusiasm of the OPEC price hawks.

Harnessing Gas for Export

MARRAK (IRT)—Saudi Arabia, already the oil colossus controlling a quarter of the world's reserves of crude petroleum, now is moving into a similar commanding position in natural gas.

At present, gas is wastefully "red" in giant torches as it is burned off after emerging from underground with the oil. When finished, it will make Saudi Arabia the world's largest exporter of gas liquids by the mid-1980s.

Gas will also be turned into shale to power industries and used to serve as petrochemicals stock in the two planned industrial parks at Jubail and Yanbu.

In harnessing this new energy, Saudi Arabia has embarked on a \$14-billion gas-gathering and treatment program to handle all gas output emerging from a fusion of 12 million barrels a day (bpd) (considerably more than the present production of 8.5 million bpd).

Projecting its own exports of natural gas liquids, Saudi planners expect availability of NGL to rise from the present 260,000 bpd to 450,000 bpd in 1982, and then to 850,000 bpd by 1985. By that time, Petromin predicts Saudi Arabia will account for 15 per cent of world production of NGL and one-third of NGL moving in world trade.

Other oil-producing countries are also planning to put out their flares and start harnessing their natural gas. But their plans are dwarfed by the Saudi project.

—L.S.

But now that it has been reimposed, the indications are that it will not be lightly given up. The fact that a production ceiling is in existence at all is, of course, a gesture both to the other OPEC producers and to the sense of security which this must provide in troubled times, are no doubt plus factors, but the relationship would probably be theirs for the asking in any case. On the vital, all-important requisite—U.S. pressure on Israel to bring about a Middle East settlement acceptable to the Arabs—precious little of a concrete nature has been forthcoming.

The Question

At bottom the issue is one of leverage. Ironically, by helping to damp down demand for oil, the price explosion of 1973-74 effectively trimmed the bargaining strength of OPEC in general (namely, the abortive North-South Dialogue) and Saudi Arabia in particular. But when and the present price freeze will tend to make it happen sooner rather than later—world demand

starts to bump up against the Saudi ceiling and the pinch is felt, Saudi Arabia's international leverage will be restored with a vengeance. The only question is: When the time comes, will the Saudi leadership have the necessary self-confidence to exact a suitable quid pro quo for meeting the world's oil needs?

In weighing their eventual production decisions, the Saudi leaders will have to take into account a wide range of factors, notably: progress towards a Middle East settlement (whatever point may have been reached by then); Western cooperation in defense and economic development projects in Saudi Arabia; the health of the world economy; Western responsiveness to Saudi and technical questions, such as the proving of additional reserves and the performance of the oil reservoirs under conditions of increasing production.

Exactly where this cocktail of determining factors will lead is anybody's guess at the moment.

What Saudi Arabia does on production will, of course, have a decisive influence on prices as well. Within the OPEC context, Saudi Arabia has emerged from last year's tug of war as the undisputed price leader—a development greatly facilitated by the conversion of the Shah of Iran, after a pragmatic about-face last November, to the Saudi price-freeze platform. Though resentful, the more hawkish members of OPEC have now more or less accepted the inevitability of a price freeze through to the end of 1978.

The Price Freeze

Saudi officials generally justify the kingdom's price-freeze policy on the primary grounds that the current soft market for crude with prevailing surplus availability estimated at two million bpd, cannot sustain any price increase, and secondly that it is essential for the well-being of the world economy. The opposition, for its part, stresses the loss of purchasing power through inflation and the slide of the dollar, and often persuasively argues that

the world will never get its energy balance right unless oil prices are raised over a period of years to match the costs of alternative energy sources. The Saudis feel that, given the yawning price/cost gap between oil and alternative energy sources at present, such medicine, even in gradual doses, could well finish off the patient. To which the others might riposte that a prolonged freeze followed by an almost inevitable jump in prices would probably have much the same effect.

However, the disagreement is perhaps more apparent than real since the Saudis, too, recognize that in the longer term oil prices must rise. As Sheikh Yamani said recently: "Sometime in the future energy consumption will rise to a level which will make an increase in oil prices inevitable. What we have to do is to avoid any sharp jump, as there was in 1973-74, by allowing for whatever market forces bring about."

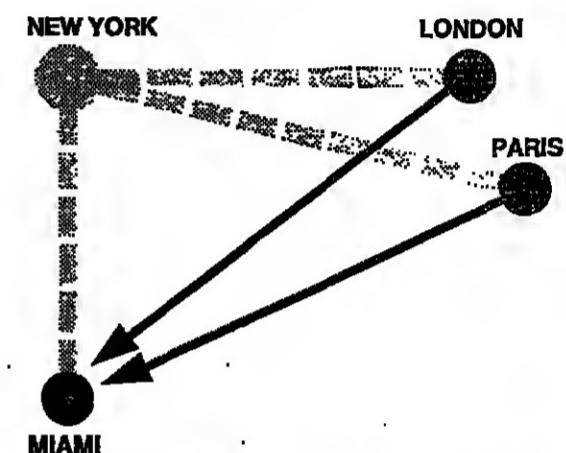
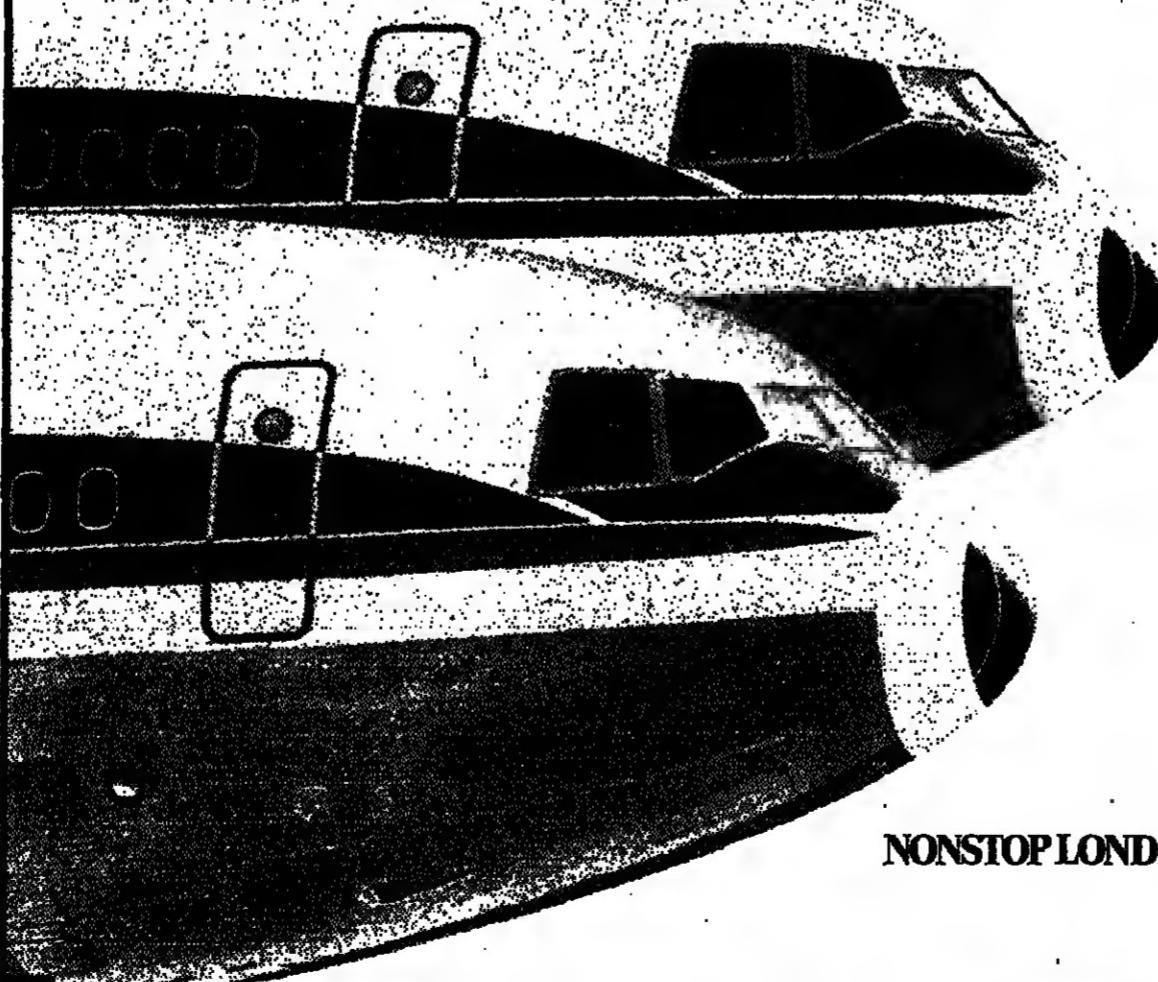
A change expected this year is the takeover of Aramco and the establishment of a new Saudi structure to manage the kingdom's oil. The new financial terms for Aramco, retroactive to 1976, have been set and, in practice, are already being implemented.

The new Saudi Aramco (it will keep the old name) will continue to be the operating company. The former U.S. owners, the four oil majors, will continue to supply technical, operational and management services and carry out exploration and prospecting. For these services, the American companies will be paid fixed fees per barrel of oil produced and will continue to buy-up the bulk of Saudi output.

It is planned to set up a new Saudi National Oil Corporation to take charge of all oil industry ventures. Under it will be the new Saudi Aramco; Petromin (the present state oil agency); an international marketing organization to handle foreign sales and, possibly, a tanker company.

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Royal House of Saud—World's Richest, Most Powerful Family

(Continued from Page 1)
his later life, King Faisal nonetheless steadily moved the kingdom along the path of change, overriding objections from religious extremists to innovations like television and women's education.

The new generation of leadership coming from still younger sons of Abdul Aziz will have to preside over the present era of more active Saudi foreign policy and accelerated social change at home. In this period, continuity is second only to legitimacy as a key political asset of the Saudi dynasty.

Succession

There is no firm, accepted rule for succession of the Saudi royal line. Succession has swung between the Ottoman system of passing power horizontally to the eldest direct descendant, usually a brother, and the British system of crowning the eldest son. At present the Saudi succession is sliding along a line of brothers, sons of Abdul Aziz the founder. But Abdul Aziz passed over several living brothers of his own to pass the crown to his son, Saud.

King Saud, a friendly but shortsighted spendthrift, ruled for a decade, but his lack of political vision and his ruinous extravagance nearly brought disgrace and bankruptcy on the family. He was finally deposed in 1964 in favor of Prince Faisal. An additional factor was his bid to

bypass the will of his revered father and reroute the succession from his younger brother to his own huge brood of sons.

There are still 32 living sons of Abdul Aziz, including King Khalid and Crown Prince Fahd. The youngest, Prince Hamud, the 37th son, is 30 years old. When the founder's sons are exhausted, the family will have to decide whether to follow the system usually adopted in the past: passing the throne down from the last son of Abdul Aziz to his son.

The alternative seems messy. Kingmakers would have to go back up the line to the elder grandsons of the founder—the remaining sons of Saud's 46, Faisal's eight, Khalid's six, Fahd's etc.

Thirty-Seven Sons

Saudi founder Abdul Aziz had 37 sons (offspring of his policy of stringing children from wives chosen to cement tribal alliances), more than 100 grandsons and, even by the most modest estimates, 500 or more great-grandsons. He also had 10 brothers, two of whom—Ahmad and Musaad—are still alive and influential and all of whom had numerous children.

Compared to the Saudis, the inheritance of the Rockefellers—whose founder, John D., had three brothers, one son, five grandsons and 10 great-grandsons—is simple. The Rockefeller males can comfortably meet on a cabin cruiser or around a dinner table for

family conferences. Mellon men could easily fit into a small executive jet and chart the future of the Mellon Bank, Gulf Oil, Alcoa, Rembrandt and other family holdings. The more extended Rothschilds would need one of their smaller chateaux for a family get-together.

But to transport the heirs of Abdul Aziz together, it would take a flight of Boeing 747s or the QE II. A full family conference would split the seams of almost any conventional hotel. So the Saudis imitate any company and a mob of shareholders. They have a board of directors which represents the various branches of the family. It is called the Council of Elder Princes. It makes decisions the chairman of the board—the King—cannot or will not make alone and it considers delicate family matters.

Inner Council

While the inner workings of this royal corporation are shrouded in impenetrable discretion, it is believed that this inner family council includes Prince Muhammad (eldest surviving son of Abdul Aziz), King Khalid, Crown Prince Fahd, National Guard commander Prince Sultan and Prince Abdu'l Moezin, tenth surviving son of Abdul Aziz—plus Abdul Aziz's two surviving brothers, Ahmed Al-Saud and Musaad Al-Saud.

An even smaller group, apparently the king and his three half-

brothers holding Cabinet posts, constitutes an "inner Cabinet," which takes the key political decisions about national policy, knowledgeable sources say.

The Council of Elder Princes, however, is the body which takes the corporate family decisions—such as the decision to depose King Saud. A decade later, minutes after King Faisal's murder by the deranged fellow-royal, the council met and determined the succession by confirming the choice of Khalid as king and prime minister and choosing Prince Fahd as crown prince and deputy prime minister.

Four days later, the council extended the succession decision by, in effect, naming a crown prince to the crown prince: Abdallah, Abdul Aziz's sixth surviving son, was appointed second deputy prime minister.

A Delicate Matter

Along the way some sons of Abdul Aziz were passed over. Only the council could handle such a delicate matter. After King Saud's ouster and King Faisal's assassination, the next in line was Muhammad, fourth son of the founder. There is no solid information as to why he was skipped over. The official version is simply that he renounced his rights in favor of the next in line, Khalid.

According to other reports, Prince Muhammad, though forceful and intelligent, has personal problems. He agreed to a

council judgment that he should not rule on condition that Khalid, his full brother, not be passed over in favor of his half-brother Fahd, despite the fact that Khalid was weakened by a heart condition while Fahd was a relatively experienced administrator. Two other sons of Abdul Aziz, Prince Nezar and Prince Saad, both 38, have been passed over, apparently because they had unacceptable shortcomings.

The council has been important in maintaining family solidarity, combining princes with political power and princes who exercise traditional family influence by virtue of age, wisdom, tribal connections or pluck.

But there is rivalry. Important princes jockey to keep other important princes from monopolizing power. Various pools of power in the family start with the king and his full brother, Prince Muhammad. Their mother came from the family of Jilwiwi cousins, powerful in the eastern province.

Sudeiri Seven

Crown Prince Fahd is the eldest of a group of full brothers called the "Sudeiri Seven" after their mother who came as wife to Abdul Aziz from the Sudeiri clan important in central and southwestern Arabia.

The brothers of Crown Prince Fahd are well placed. Prince Sultan, 55 (12th son of Abdul Aziz), is minister of defense and avia-

tion. Prince Turki, 45 (20th son), is deputy minister of defense and aviation. Prince Nayef, 44 (23rd son), is minister of interior. Prince Salman, 41 (26th son), is governor of Riyadh Province. Prince Ahmed, 38 (28th son), is deputy governor of Mecca Province and Prince Sattam, 37 (29th son), is deputy governor of

Sons of the late King Faisal, for instance, have been brought into the ruling circle. The elegant, Princeton-educated Prince Saud, Al-Faisal is foreign minister. Prince Khaled Al-Faisal is the extremely able governor of the southwest province of Asir.

Prince Muhammad Al-Faisal until recently ran the government's water program; it was he who

intrigued the world by "backing

research on the possibility of

floating icebergs from the Arctic to the Red Sea for fresh water.

Two other sons of King Faisal are officers—one in the army, one in the air force.

The sons of the "Sudeiri Seven" include many impressively capable young men, as well.

Twice, however, the family has suffered embarrassing, visible cracks.

In the early 1960s Prince Talal, now 46 and the 18th son of Abdul Aziz the founder, fell under the spell of Nazism and democracy in Cairo and Beirut. He married a daughter of Ried Solh, one of the founders of the Lebanese Republic. He renounced his title of prince and became a Republican, forming with two brothers, Prince Badr, 45 and the 21st son of Abdul Aziz, and Nezar, 44 and 23rd son and two half-brothers, a group called the "Free Princes."

After drawing up a plan for a national assembly in Saudi Arabia, Talal and his group were forced into exile in Cairo in 1962.

A Pardon

King Faisal pardoned them after they made a public statement of allegiance in 1965. Talal now lives an unpolitical life at home and abroad. The other two brothers were assimilated into the power structure: Prince Badr is deputy commander of the National Guard and Prince Nawaf served as counselor to King Faisal.

The second incident came about on March 25, 1975, when a young prince, his hair still long from years spent at school in Colorado and California, shot and killed King Faisal in the audience hall. The assassin was Faisal, son of Prince Masaad, 55 and 14th son of Abdul Aziz the founder.

Many reasons were cited for the desperate act. The assassin's father is said to be mentally erratic; his mother was a member of the Rashid tribe defeated by Abdul Aziz at Riyadh in 1902; the assassin's older brother, Khalid, a religious fanatic, had been killed by police when he led a violent demonstration against the opening of a television station, which he believed to be against the Koranic rule barring representation of the human figure; the assassin had been engaged to a daughter of the late King Saud, whose relatives resented King Faisal for deposing King Saud.

Such reasons represent potential problems that Saudi leaders face with their vast wealth, many-branched family and the tensions of a closed, tribal culture opening up to vast, new horizons.

It can be argued that the house

of Saudi has done quite well in policing itself. Thousands of male princes, most of them no longer in power, have been involved in relatively few known scandals.

However, a factor in this record is the inability of the censure of the Saudi press to touch on an matter which might reflect poorly on the family. Also, law enforcement authorities are apt to treat family members as above the law, letting the Saudis wash their own dirty laundry.

But the family itself is crack down on punishment—as publicly. The recidive, Prince Faisal, was beheaded according to Muslim law for the murder of his uncle the king by an executioner wielding the golden sword specified for royalty.

An earlier princely killer, who murdered the British consul to Jeddah, was sentenced to life imprisonment. But this term is being served comfortably in a family villa after British diplomats asked for a stay exception to avoid arousing anti-British feelings.

Under King Faisal, allowances to princes were cut back. This intensified the development of royal family business.

One knowledgeable source estimates a figure of about \$3 million a year in allowances if the family from oil receipts. This would average \$80,000 to \$150,000 a year per prince depending whether one accepts the low (\$2,000) or upper (\$5,000) estimate of the number of Saudi princes, and depending, too, how much is given to some 20 never-seen princesses.

The figure for privately allowed may sound extravagant, but it is less than 1% of the nation's oil income and dozens of the princes are working for "the companies" running the country. Eighty of the 36 Cabinet ministers and the provincial governors and their assistants are Saudi prince.

In addition to allowances, the family members can get richer dealing in land or earning as commissions, or undertaking other business transactions. Many of these supplementary forms of come rely on nepotism that would be unacceptable or illegal in some countries. But in Saudi Arabia when a family member makes killing selling property—most which is owned by the royal family—in the wildly-inflated real estate boom around the cities, is considered normal. It is a normal for princes to act as or silent partners in the race commissions on billion-dollar port deals. Recently, some indications have emerged of a bid by the royal family to set an example that the national interest should come before business, even family business.

Some U.S. officials, whose interest is in seeing the conservative Saudis stay in power, say prevention of corruption or favoritism, together with education and rearing of princes as useful citizens, is the most critical issue facing the family.

Doing business in Saudi Arabia?

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LBI has a comprehensive knowledge of local conditions and is able to provide the necessary technical expertise to arrange financial support of all kinds in this vital area of the Middle East.

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A Few Years See Sweeping Transformation

(Continued from Page 1)
Indeed in 1974, one minister said thought two-thirds of the oil should be handled by U.S. companies.

Relations soured subsequently in the wake of threats to invade Saudi Arabia and the signing of U.S. legislation aimed at breaking the Arab boycott on Israel.

With eventual peace in the Middle East, however, Israel and the boycott would cease to be a factor and the talk of invasion could be ended.

Despite an astronomical financial surplus, Saudi Arabia cannot be called a rich country. It does not have the farms, the factories, the banks, the parks, museums and the infrastructure which make Sweden or America "rich." It does have a current income and it does have the potential of converting that into a rich country.

much has already been done in construction, in buildings, schools and hospitals, and rising expenditures on these can be expected to level off with peace in the Middle East as the expenditures on arms begin to decline.

A big portion of Saudi income for the next few years will be absorbed by expenditures on the industrial establishment: pipelines to gather and transport oil and oil export refineries, petrochemical plants, iron and aluminum reduction facilities and steel mills. But if they are properly conceived—and the new minister of industry is determined at all major projects will be well implemented—they should be leading to the national wealth in a few years.

While the annual Saudi budget surpluses may decline for the next few years, they are unlikely to disappear. Unless waste comes unbound, the surplus could start to grow again early in the 1980s.

The kingdom's anti-Communist good relations with the United States, and its moderation on Arab-Israel issues have led some to conclude, erroneously, that Saudi Arabia is an American satellite.

In a similar fallacy, some Americans have been led to conclude that the kingdom could be taken for granted, that it had no place to turn. Washington's initial skepticism about the Saudi role oil prices has now given way

to an equally erroneous assumption that Saudi Arabia can always—and will always—be a brake on price increases. Americans tend to take these positions because they disbelieve, or discount, or do not hear, the Saudis' own statements.

This had led to serious error in the past, most notably in 1973 when a deaf ear was turned to warnings from King Faisal that the oil weapon would be used if there were not a move toward Middle East peace.

There is no doubt of Saudi anti-Communism or Saudi desire to remain friendly with the United States. But Saudi Arabia is Arab above all; its other foreign-policy concerns do not take precedence over matters of importance to the Arabs. Saudi interest in Jerusalem did not die with King Faisal. Saudi Arabia does not secretly want the Palestinians to be crushed and absorbed in spite of continual reports from some widely read political commentators.

On oil, too, there is a clear danger of miscalculation. Saudi Arabia is not trying to break OPEC; it is not secretly trying to ruin the economies of Iran or Iraq and, contrary to some of the wider testimony before the United States Senate, it does not need more income. It is not afraid that it will be left with its oil in the ground and it does not believe the major consumers will do anything which would depress oil prices. Neither does it believe that the current price of oil is higher than the price of oil ultimately should be.

The Saudis believe, and have repeatedly stated, that the price of oil rose too far and too rapidly after 1973; they believe, as do all OPEC governments, that the price of oil will be determined ultimately by the cost of production of synthetic liquid hydrocarbons and that this will be roughly twice the present price of oil.

Foreign Minister Prince Saud has said that Saudi Arabia's price dispute with its OPEC colleagues was only "the timing and rhythm" of price increases.

The importance of the "timing" is not to be underestimated, but this does not mean the Saudis favor an indefinite price freeze. In various recent projections of world oil supply and demand for the next 20 years, more sober analyses conclude that a supply

problem will appear unless Saudi Arabia lifts its current oil production ceiling of 2.5 million barrels per day. Optimistic reports have in common a belief that Saudi Arabia will increase oil production as needed.

So far it has done so. Yet there has been strong opposition in the country to even the present production levels. Many Saudis believe that much current income is wasted; that the surplus income has only been placed in U.S. Treasury bonds or in bank deposits where the rate of return is less than the rate of inflation; and that it would be much better for Saudi Arabia to keep its oil in the ground until it needs the income.

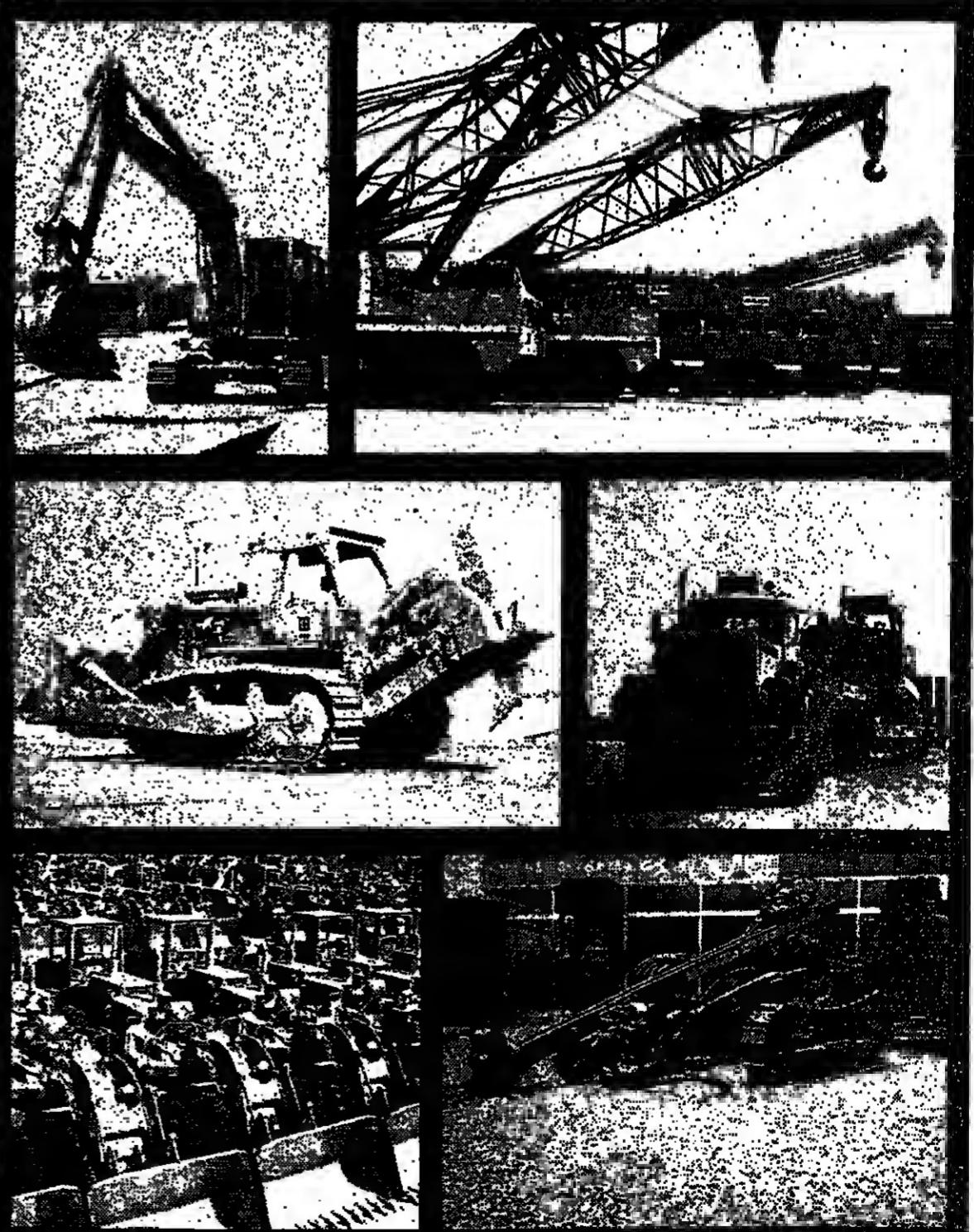
Nonetheless the world demand for the oil will be great, and I think that the United States can reasonably expect to get oil from Saudi Arabia under a few important conditions.

King Faisal and King Khalid have both said that they understand their responsibilities to the world and would produce the needed oil provided there were a just peace in the Middle East. This is not the entire picture, however. Sheikh Ahmad Zaki Yamani, the oil minister, has repeatedly added to this formula his warning that his country could not be expected to produce oil—its only important natural resource—if the West continued to be profiteering in its use. Saudi Arabia would produce oil for essential uses; it would review its position if there were no efforts in the industrial countries to conserve energy.

There may be some consideration. The Saudis must be shown that they can use their income for the development of their country and their area and that whatever surplus it has can be invested profitably abroad. It would not be rational to assume the Saudis will forever be willing to accumulate depreciating dollars.

There is good reason to look forward to the development of a flourishing new relationship between these two unique countries. The United States' strength and technology working together with Saudi energy and capital can be of immense benefit, not only to the two countries themselves but to the world.

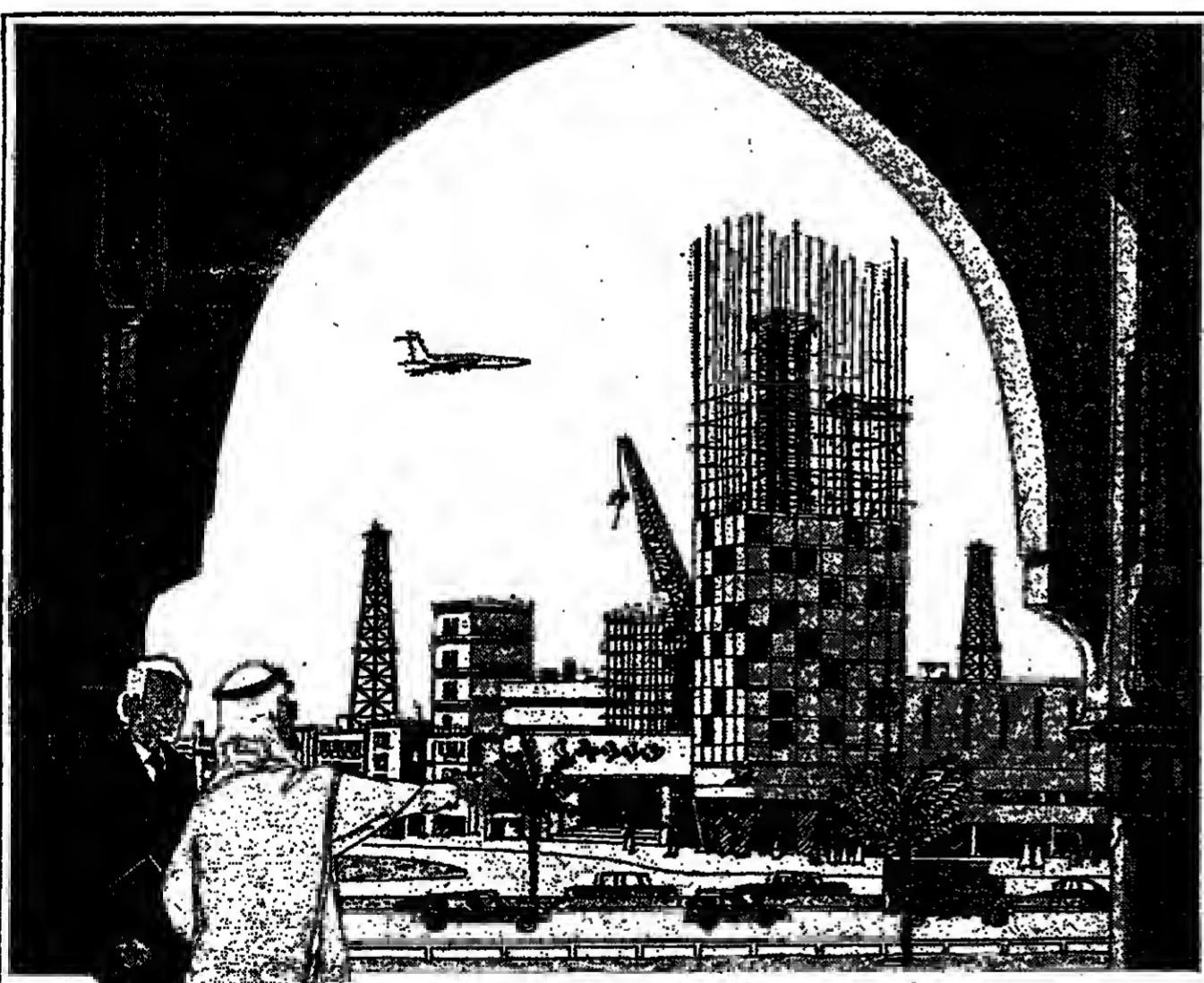
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For Women, Education and Luxury Bring Mixed Blessings

By Mary Jo McConahay

Riyadh (IHT)—For women in Saudi Arabia, the sudden flow of oil wealth is a mixed blessing. It is bringing education and better health for themselves and their children, eliminating drudgery and even providing luxuries. At the same time it brings aspirations which their strict religious society is not ready to agree to.

"We can't go on like this much longer," says a 24-year-old woman from Jeddah who has attended university and is married to a Saudi businessman. "Some of us want to work at different things, we want to drive and we don't want to wear the veil. But we don't want to hurt our families or go against our religion. I see a lot of tension among my friends."

Despite mixed emotions and even stress among traditionally educated women who feel it is time for some changes, the situation apparently can go on—perhaps much longer. In cosmopolitan areas of Jeddah and the eastern province girls may wear thinner veils and shorter black abayas over their long dresses, but there are few who want to risk family displeasure, hold staves or even the stick of the religious policeman. Customs, with the religious approval they have acquired, and the strict, puritanical version of Wahabi Islam combine to keep social change for women to a minimum.

In towns and cities the rich and middle-rich live with the best and latest products the developed world has to offer. Even housewives in the most remote areas are little by little experiencing labor-saving devices. No longer is the laundry an all-day affair spent with other women, and a recent nationwide electrification program means that ironing, for instance, is not a matter of heating coals and wielding a weighty medieval pressing device. Bakeries and pre-packaged food save hours every day.

Yet unlike the Western pattern, increased leisure does not signal a release from the house or the chance to develop a chosen career. For the Saudi woman, more time means more time to spend at home.

"We don't want our women on the street," says a high government administrator, a European-

educated member of the royal family in his 30s. "When you see a woman you think, 'She is a mother or she will be a mother.' Men and women are equal here because they have equal responsibility: Man has to build from the outside and woman from the inside."

A full generation after the discovery of oil—as men are managing one of the quickest-growing economies in the world, guiding the social development of a people thrust suddenly from nomadism to a state of post-industrial urbanization, taking important positions on international fronts—the women of Saudi Arabia are still expected to stay out of "the streets" and neither be heard nor seen except within family groups. When they do go out, they cover up with veil or face-mask and the black, shapeless head-to-toe gar-

ment which renders them "invisibles." A woman may now hold a passport in her own name, but she does not leave the country or even travel from one city to another within the kingdom without her *mahram*, a male relative who will act as keeper or protector.

Saudi women may not drive under any circumstances. They may not take taxis alone or with other women. They are not expected to appear in government office, public places or the markets except under extreme circumstances. Saudi women cannot attend museums, zoos or cultural exhibits except on designated ladies' days when men are not allowed. They do not choose their own husbands.

Men and women who are not perfectly satisfied with these conditions pin their hopes for change not on money or labor-saving

devices, but on education.

Ratima Mandy, through her husband, was the first woman to gain admission to Riyadh University in 1961. Today 1,500 young women are attending the university on their own separate campus, and Dr. Mandy is one of their professors. The women's campus is understated and the facilities could be better, but as Dr. Mandy explains, there are so many young women who want to study that the university must try to accommodate them until the modern new women's campus is completed.

"The girls are all hard workers," she says. "Some want to make themselves suitable as wives to educated men. Others want to have careers. But either way, once you start something you don't stop. These girls will, shall we say, impose themselves in the future."

Education for women has been an uphill fight, a story of government success against grave obstacles. Opposition was so great in the early 1960s that the late King Faisal opened some of the first girls' schools under military protection—traditionalists believed a community school would corrupt girls and weaken their faith. To appease conservative religious circles, the government still administers girls' education separately from boys' under a distinguished religions personnel. While the climate has changed dramatically over the past decade, with Saudi families and communities supporting the government's push, the religious battles on girls' education will remain.

"We need people in these positions who are cautious, religious, and who can protect girls from themselves and their

surroundings," says a provincial administrator. "We need people to make sure that certain things don't change."

Girls see time and money lavished on boys' sports while they themselves are not permitted even physical education classes; yet the girls run to school with an enthusiasm seldom seen in the West. College women "attend" many lectures by closed-circuit TV because they are not allowed to be present with males, and because women professors are in short supply. Yet teachers report women at all levels outshining their male peers (perhaps partly because boys are allowed more diversions outside class).

Although the government is building schools as fast as materials and manpower allow, boys have first priority. The goal for female primary school

enrollment by 1980 is only 50 per cent that of boys, and the drop-out toll is severe. In secondary and higher education, girls are still limited to "appropriate" studies.

"As long as they allow to study and to work," says Mandy. "I don't want to re-

turn. Fortunately for them, Dr. Mandy and her students have the opportunity of the new opportunities for girls today, a tableau forms around her desk as if to dramatize the point. An old, black woman, shoeless, chewing gum and flashing her own gold rings, serves tea. Two young women, who have walked in carrying paperbacks by Austen and Bronte, ring off their abaya, revealing jeans and track shoes and explain in English they are late for their seminar because the classes they teach to secondary students run overtime.

How do such working women, one claims that their place is in the home? The close-knit Saudi family will be

threatened if women are more freedom, they reply. American-style feminist does will never be issues here.

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ACROSS

- 1. Eros' essence
- 2. Alaska king
- 3. Prefix with six
- 10. Seal
- 15. Friends
- 16. Fisher
- 17. Chianti's morning-after legacy
- 20. Share-all
- 21. "The Snow Maidens"
- 22. Resourceful cover-up of John S. Ross
- 23. French cardinal flavoring
- 24. Formerly Last year's Jr.
- 25. Diving
- 26. Vogt's target
- 27. Anteoms
- 28. Judge's seat
- 29. Han's predecessor
- 30. Tuna and Scandinavian's ideals
- 31. Get on
- 32. Love affair
- 33. Hit a high fly
- 34. King's will
- 35. Kind of pit
- 36. British knight
- 37. Norwegian conqueror
- 38. Kipling in Literature; 1857
- 39. Prophecy of a sort
- 40. Salt Lake City team
- 41. While was one
- 42. Inseparable
- 43. Oh were
- 44. Morris
- 45. Lehar opus: 1911

ACROSS

- 77. Peeling wood.
- 78. Cheer
- 79. Schism
- 80. Smith and Jones
- 81. At a distance
- 82. Shankar
- 83. Conquerors of matter
- 84. (one-sided)
- 85. City on the Drina
- 86. Trig function
- 87. AFL's
- 88. Oscar winner: 1942
- 89. Mam
- 90. Chakrab
- 91. Up an ear's vocabulary
- 92. Grotto
- 93. Wee hour
- 94. Observed
- 95. City once called Eye's Eye
- 96. Small and predictable
- 97. New World: Africa
- 98. Hole puncher
- 99. Imitate
- 100. Idi
- 101. ID
- 102. Pats on guard
- 103. W.W. II vetted
- 104. Fashioned with
- 105. Ophthalmologist's convention?
- 106. London's market, e.g.
- 107. Extreme
- 108. In a senseless way
- 109. Paul
- 110. Social-athletic org.
- 111. Curtis and Perkins

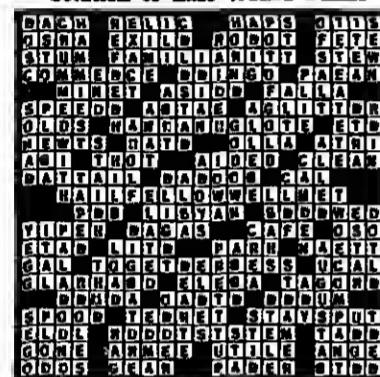
DOWN

- 1. Greek Minerva
- 2. Office routine
- 3. Hot plums of India
- 4. Persue
- 5. Handpicked

DOWN

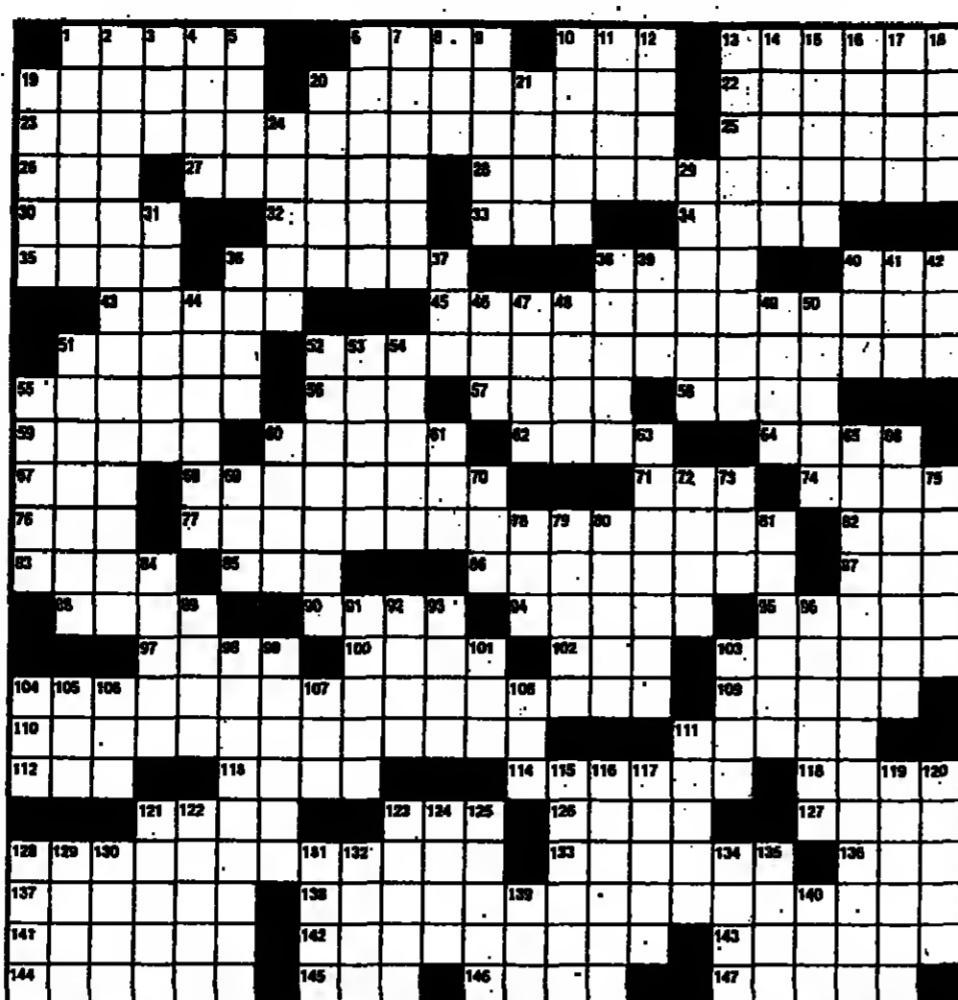
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- 8. Director: Abbe
- 9. Author
- 10. Famous dairies
- 11. Horser's undung

Solution to Last Week's Puzzle

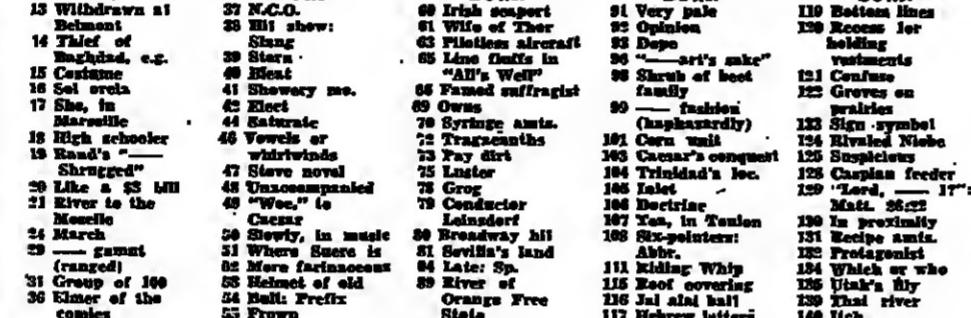


CROSSWORD PUZZLE

TURNING PHRASES—By Jordan S. Lasher



SOLUTION TO LAST WEEK'S PUZZLE



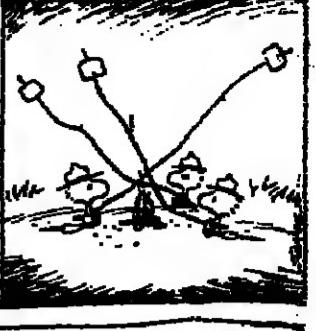
Edited by
EUGENE T. MALESKA

PEANUTS

FOR OUR LAST NIGHT OUT I'VE PLANNED SOMETHING SPECIAL

HOW ABOUT A MARSHMALLOW ROAST?

I'LL BUILD THE FIRE... YOU GET YOURSELF SOME NICE LONG STICKS...



B.C.

ARE YOU ASLEEP, PETER?

NO, I WAS JUST DIVINING THE NEXT FORECAST.

...WHICH INCIDENTALLY DIDN'T INCLUDE A @#*!% WAKE-UP CALL.



BLONDIE

BLONDIE!

WE'RE ALL OUT OF TOOTHPASTE!

OH, HONEY, THERE'S ALWAYS ONE LAST SQUEEZE LEFT IN THE TUBE

I'VE USED THAT LAST SQUEEZE THREE DAYS IN A ROW NOW!

BETTY BAILLY ANDY CAPP

YOU BETTER EXCUSE ME FROM THE HIKE, SARGE

OH, YEAH? FOR WHAT REASON?

LISTENING TO THIS FOR TEN MILES WILL DRIVE YOU BANANAS!

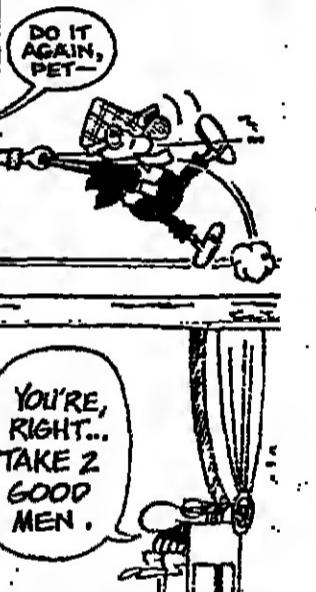


WIZARD OF ID

TAKE 20 GOOD MEN AND ATTACK THE HUNS.

BUT THAT'S 10 TO 1 ODDS, SIRE

YOU'RE RIGHT... TAKE 2 GOOD MEN.



M.D. REX MORGAN

I DON'T KNOW WHEN I'VE TALKED SO MUCH! TELL ME SOMETHING ABOUT YOU, BILLY!

THERE ISN'T MUCH TO TELL. MY PARENTS ARE DEAD... AND SO IS MY ONLY BROTHER!

ARMED ROBBERIES? I CAN'T IMAGINE YOUR BEING IN A ROBBERY...

NOW THAT I LOOK BACK ON IT, I CAN'T IMAGINE IT EITHER; BETSY! I'LL NEVER DO IT AGAIN... NEVER!

R.I.P. KIRBY

QUICK, PAP, GIT A BASKET! IT'S BLESS YA, MAW. I THOUGHT I WAS SEEIN' THINGS!

A CHOPPER MADE BREEZE BLOWS GOOD FOR MANY.

GONE WITH THE WIND ALL THAT BEAUTIFUL STUFF I SWIPE!



JUMBLE THAT SCRAMBLED WORD GAME

by Henri Arnold and Bob Lee

SOKYM

FUTOL

GAMENT

HISVAL

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers Monday)

Yesterday's Jumble: MISUE GAMUT DISOWN HANGAR

Answer: Why they arrested the phlebotomist

DENNIS THE MENACE

Ketchum



"Well, I'M NOT YOUR LITTLE BOY... AND NOT LIKELY TO BE, EITHER!"

WEATHER

BOOKS

THE ZAPPING OF AMERICA

By Paul Brodeur. W.W. Norton. 343 pp. \$11.95.

Reviewed by Victor K. McElheny

IN WAYS that still puzzle medical science, Paul Brodeur tells us, levels of human exposure to microwaves far below the intensity needed to cook in a microwave oven have been linked for 25 years to cataracts in radar operators, and more recently and tenaciously, to birth defects at an Army post in Alabama and cancer at the United States Embassy in Moscow. The use of microwaves, he writes, has become so pervasive that it "affects every man, woman and child in the land."

The credibility of this rather shrill book, which hammers away at the dangers of microwaves, rests in part on a favorite literary theme of this age of technology. The theme is mankind awash in an invisible ocean of technical menace, willed upon us by malign beings who wish to use technology to enrich themselves and maintain their sway over us.

The reality is both better and worse than this. Mankind is not five times more numerous than it was only 200 years ago because life is materially worse. Obviously, a river of benign inventions, such as those that bring clean water into cities and anesthetize patients for surgery, has been flowing.

As Brodeur tells us, some scientists are beginning to take seriously the possibility of medical risks, particularly of cataracts, from small doses of the microwaves so widely used in rich nations for cooking, transmitting long-distance calls, bringing civilian airliners down for landings and monitoring the seas and skies for foreign military craft.

The publication last year of two articles in the *New Yorker*, on which this book is based, created great interest among leading biologists. It is probable that Brodeur's article, while alleging a sustained cover-up of possible risks over many years, appeared when microwaves began to be pervasive enough to force consideration of them as a medical problem.

Brodeur's book performs an important service in forcing both private industry and the United States military to justify, more publicly than they were accustomed to, the safety, or large-scale uses of microwaves.

Where the book is less persuasive is in arguing that the interest of the military in continued use of microwaves has suppressed medical and biological research into the subject.

The book quotes extensively from U.S. government memorandums indicating that military and civilian officials, mindful of the tremendous present and potential utility of microwave detection and communication, were less than eager to investigate medical dangers from microwave. But the apparent obstruction by such officials has less influence than Brodeur thinks on trends in medical and biological research.

The biological risk from microwaves has attracted relatively little attention from researchers not because of military fiat, but because, logically, the risk seemed so moderate by comparison with the possible role of processed foods, new synthetic chemicals, cigarette smoking, X-rays from medical examinations, and many other works of man that have been implicated in the induction of cancer and heart disease.

Among biologists, many of whom have been trained in the disciplines of physics that would make them mindful of risks from all types of radiation, including microwaves, interest focused for many years on the role of viruses in triggering cancer. Only now is interest shifting somewhat toward environmental causes, such as asbestos or chemicals in the air and water that reach workers or the general population.

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Victor McElheny is on the staff of The New York Times.

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February 10, 1978

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It Balks at Playing in Oakland; It Denies a Sale of Mets Looms

We Seen Barred

By Nancy Scammell

NEW YORK, Feb. 10 (UPI)—Negotiations are continuing between the San Francisco Giants and the New York Mets over the possibility of moving the A's to Oakland. The two teams have agreed to meet again on Feb. 13.

"We are still hopeful," said A's owner Charles O. Finley, "but we have no way to comment yet."

"I'm still hopeful," said Bob Lurie, general manager of the A's. "We're ready. We're saying every day at work in San Fran-

to be worked out."

"It's all Sessions."

NEW ROLE Joe Namath, ex-pro football quarterback, appearing in new star role as basketball coach in TV series filmed in Los Angeles.

their name to something reflecting the common territory of the two cities—such as the Bay Area Giants.

Moscone rejected the proposal outright. Even if the San Francisco mayor had agreed, there was little possibility that the city's Board of Supervisors would have cleared the plan.

The approval of the mayor and the supervisors was necessary to permit the Giants to renegotiate their contract with the city-owned Candlestick Park. The contract expires in 1984.

Not Going to Worry

"I'm not going to worry about Charlie," Lurie said. "Unless something dramatic happens to the A's, they'll probably be playing in Oakland. I don't know how well they can do."

"We have a team with a lot of potential and we are going to be contenders this season. I hope that it will sink in that we're for real now. I'm hopeful we'll draw 1.2 million [people] and at least break even."

"The games in April and May are going to be even more crucial now, in getting people accustomed to coming out and seeing us," Lurie said in referring to chilly early season crowd problems.

"Every game this year might be like the seventh game of the World Series."

Little-Used, High-Paid Hurler Not in N.Y. Camp

man in No Hurry to Do Nothing Again

By Murray Chass

Feb. 10 (NYT)—Holtzman dominates the Ken Holtzman, 31, in Lincolnshire, hasn't moved Holtzman, Florida any sooner or.

I'd see if I could afford him here and virtually invisible

said by telephone

"We run into too

for one thing, my batters are both sick if I'm around here."

too. The town,

he north shore of about 35 miles ago, has been hit

inches of snow this

ough to make a

excuse to head

zman's case; he

ion from the Yan-

the early spring

that started Wed-

remains at home

elle, and 4-year-

Robyn, planning

into his van Feb.

In Fort Lauderdale

first official work-

ers and catchers

which extends through

Now, he was shuffled his thinking.

"I told them I would be elastic, that I wouldn't be so rigid that I would veto any trade they came up with," said Holtzman, whose two victories last year were the lowest annual total he has ever had.

"I would be blindfolded to anything mutually beneficial to both of us. But I've never had anything come back from them, so I have to assume they're not planning to do anything. It'll just go down and do my job, whatever that is."

If there is anything different about this season for Holtzman, it could be in the way he reacts to his status.

"I've probably reconciled myself more to the fact that this year could be the same as last," he explained. "Last year was unexpected. This year will be no surprises. I assume it will be frustrating just to sit there and watch again, but a least there won't be any surprises that I won't be pitching much."

Holtzman has not pitched this winter—"I haven't picked up a baseball in a year and a half," he had quipped earlier—but he has kept in shape playing racketball and handball with some neighbors.

"I've also run a little bit," he said. "Most of the time indoors, but a little outdoors. The streets are like ice and we don't have any sidewalks."

"I played against the Chicago Saints, their team over and gave me some flowers and wished me the most."

"I'm certainly whipping this into a big deal. Especially since it's exhibition—it doesn't mean anything. It's to promote hockey for kids, goodwill between Canada and the U.S." said David Emerson, Michele's father.

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